Daily Report

Latin America

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FBIS-LAT-95-050 *15 March 1995*

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Brazilian Envoy to Peru on Vatican Aid in Conflict

PY1503005995 Madrid EFE in Spanish 1439 GMT 12 Mar 95

[FBIS Translated Text] Piura (Peru), 12 Mar (EFE)—Brazilian Ambassador to Lima Luiz Carlos Coutinho today said it would be inappropriate to transfer the problem of the Peruvian-Ecuadoran border conflict to the Vatican.

Coutinho, who arrived in Piura, 1,000 km north of Lima, to welcome the mission of the guarantors of the Rio de Janeiro Protocol, said the negotiations "are being carried out well" by the mission members.

Regarding the announcement made by Ecuadoran President Sixto Duran-Ballen that he would personally ask Pope John Paul II for the intervention of the Vatican, Ambassador Coutinho said this "is a position that should be evaluated."

He added, however, that "for the time being, the negotiations must be in the hands of the guarantors," Argentina, Brazil, Chile, and the United States.

Coutinho said that eventual participation by the Holy See in offering its good offices to talk with Ecuador and Peru "would always be welcome."

Duran-Ballen will tomorrow begin a tour of various countries. The tour will include the Vatican, to ask for the pope's intervention in the border conflict that led to a 32-day non-declared war between Peru and Ecuador beginning 26 January 1995.

During the conflict the pope's envoy, Cardinal Carlos Furno, visited Peru and Ecuador to meet with the presidents of the two countries on an informative mission. He recognized the validity of the 1942 Rio de Janeiro Protocol that fixed the border between the two countries.

Former Ecuadoran Foreign Minister Diego Cordovez said on 11 March that "it is now more important than ever" to have the pope's intervention, and expressed his hope that Peru would accept an arbitration by the Vatican.

The proposal for mediation by the pope was made by Ecuador in 1991 during the presidency of Rodrigo Borja, while Peru proposed arbitration by the Vatican.

President Alberto Fujimori said in Copenhagen on 11 March that he trusts that the Vatican will support the work of the guarantors of the Rio de Janeiro Protocol.

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Cuba

Fidel Castro's UNESCO Address in Paris

FL1403232695 Havana Cuba Vision Network in Spanish 0100 GMT 14 Mar 95

[Address by President Fidel Castro to UNESCO, in Paris, on 13 March; Castro appears on video, dressed in a coat and tie instead of his traditional military uniform; from the "NTV" newscast—recorded]

[FBIS Translated Text] My dear friend, UNESCO Director General Federico Mayor...[pauses] I was going to say ambassadors and ladies and gentlemen but believe it better to say dear friends and companions in the struggle, considering the battle we waged this afternoon. Not since the battle of Verdun has there been a struggle to advance a few meters and reach this hall. However, I fear that I may be deceiving you. Why? First, my address is prepared—that is, the ideas I want to share with you are already on paper. Second, this address is a bit long for my taste...[pauses while crowd laughs] even though it is true that I have a reputation for delivering long addresses. I first did so at the United Nations. I was still green, the Revolution had just come to power, and I was filled with the rebel spirit. Although I stood there and spoke for two hours, the amazing thing is that they did not throw me out.

I spent all my energy drafting a six-minute address for the social development summit in Copenhagen. I have no energy left. The director general invited me to this very important event. The atmosphere was truly unreal. Some very positive things came out of Copenhagen, specifically documents, declarations, action plans, and promises. Of course, the texts say so much about today's problems. I mentioned a few of them.

All these documents reflect the disparity between what we want to do and today's reality. The heads of state and government spoke of poverty, unemployment, hunger, illiteracy, health care needs, and so on and so forth.

I truly recommend that everyone study and recall summit recommendations, resolutions, and other documents every time they have to draft developmental, cultural, and science budgets. It can be used as a pennant. While this does not mean that you will get the necessary funding, it will offer a strong case for receiving the necessary funds that should be allocated for that.

This is feasible. I began by quoting Calderon de la Barca, who said that everything in life was a dream and that dreams are but dreams. While this may have sounded pessimistic, I think I was being realistic. I believe that what was proposed at the summit can be achieved. I presented data and indexes on our own experience in Cuba, despite the fact that Cuba is a poor and developing country lacking extensive resources. I am fully convinced that we can develop socially in this world. I also said that this is feasible not only through the strength of individual countries but also through the strength and cooperation of all the countries of the world.

I will now read my prepared address to speed things up:

It is not easy for a small and besieged country to recount its own reality or to have the media—due to its sophistication and reach, it has considerable influence on public opinion—objectively reflect its reality. It is difficult—yet essential and inexorable—to fully experience all of the human dignity that is earned. Marti said: The first law of the Republic is to completely worship mankind's dignity. I repeat: to fully experience the dignity and nonnegotiable sovereignty that is earned.

The unipolar world in which we live tries to cheapen and standardize life—as well as social and even individual behavior—and impose models that are considered accepted and valid despite geographic borders, spiritual differences, diverse cultures, historic backgrounds, diverse philosophical and religious beliefs, and the hopes of nations and individuals.

The United Nations was established half a century ago. Today's world does not make us feel overoptimistic. We find ourselves on the threshold of the 21st Century, which should herald an era of peace among men, solidarity among nations, and greater prosperity for the poorest countries.

We face an economic, social, and ecological crisis unprecedented in mankind's history. The hopes for peace, stability, and cooperation aroused by the end of the Cold War and the end of the confrontation between the two superpowers that polarized the international scene following World War II are far from having been fulfilled. Only one major nation has been able to dominate the international scene since then.

By the way, is there a U.S. delegation here? Are they nearby? In the corner? In Paris? Or in Washington? I do not want to embarrass anyone by talking about a unipolar world.

The emergence of the unipolar world I mentioned earlier has not generated a more secure environment for the world's peoples but, instead, has created a situation in which we have one major nation exercising its hegemonic power without a counterbalance. We now have interventionism under the guise of multinational operations; small nations are left vulnerable; selfishness routinely characterizes international relations; and there is contempt for the principles of national sovereignty, equality among states, self-determination, nonintervention, and settling conflicts peacefully. An imperfect, yet preferable, balance was crushed.

Indiscriminate violence and internecine warfare wrack the world in which we live. Our era is one of brutal societal disintegration and mass emigration. Exploitation and the terrifying poverty of hundreds of millions of human beings whose hopes wither a little more each day mark our world.

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There is no room for the naivete of those who believe that the world will end, considering the reality of the new international order. Mankind's history is synonymous with progress, and its ultimate goal is solidarity among men. Only those who view mankind's momentary setbacks with complacency and who want to replace solidarity with selfishness and the hegemonic spirit believe that the world will end. Yet, some are convinced that this is a transitional period. They are committed to upholding the pennants of human progress and brotherhood among men. On the contrary, these people believe that the world is far from ending. Although the period through which we are passing may be difficult, it is full of newer, richer, and even more promising experiences. While we certainly have reason to be hopeful, the peoples' essential worries have not abated. The danger of nuclear war has dissipated but not altogether disappeared. Although conditions today are more favorable for slowing the unbridled nuclear arms race, this process has yet to gain the needed strength. The major resources allocated to that end and the remaining mass means of destruction have yet to be channeled toward progress.

The hateful apartheid system has finally been defeated in South Africa, a moral and political victory of great importance in which Cuban blood was also shed. Yet, peace still eludes that continent. Poverty looms larger with each passing day. The hegemonic power's effort to establish itself as the world's policeman is just one of the great dangers of this unipolarity. We have already witnessed the consequences of such a development, particularly dangerous when it entreats the international community to join such operations in defense of imperial interests.

This trend must stop. Peacekeeping operations must not be used as vehicles for interventionism. They must count pacification among their interests. If we seek a world of peace and stability, we must democratize international relations and strictly respect the principles supporting the very spirit of the United Nations and UNESCO. A world of solidarity will never be born from intolerance, hegemonic aspirations, arrogance, and the political, social, and economic models being imposed as a universal straitjacket. The United Nations must truly help foster solidarity among nations and not promote the predominance of just some nations over the immense majority.

We will not accept the United Nations being used to impose a new colonial order. We will not accept the creation of new mechanisms, like ECOSOC [Economic and Social Council], that merely enhance the undemocratic workings of the system. We will not accept the granting of powers beyond those of major UN organs to the IMF, the World Bank, and the World Trade Organization. Democratizing the United Nations implies abolishing the Security Council's anachronistic veto privilege. We must also implement the principle of fair geographic representation in the Security Council, the standard for all other UN bodies. We must establish the practice of periodic elections of all its members without exception. We must also demand that the United Nations fulfills its responsibilities as stipulated in its Charter—although ignored in practice—and render account to the General Assembly. We must ensure that the Security Council does not intervene in matters that do not fall within its direct sphere of responsibility. We must end the practice of secret meetings without records or witnesses where the fate of the peoples is determined. We must end the arrogance of a few, unless we want the hopes for a world of justice and peace for all to go unfulfilled.

All the peoples of the world have been demanding peace for many years. Third World peace and development prospects have always been linked. Our peoples will develop only when there is peace. There will be no peace until development prospects are equal for all. This is why the end to threats of East-West confrontation is not good enough. We must work toward North-South peace and cooperation. Peace must be based on dignity. Cooperation must be based on equality and on respect for the sovereignty and self-determination of different nations, cooperation that does not discriminate between the big and the small and the poor and the rich. We must remember that one's cooperation is needed to further the development of others. It seems that the world is finaliy sitting up and taking notice following decades of warnings that economic growth does not necessarily imply social development and that the insane path that mankind has taken will lead it into a dead end alley of serious problems and a foregone ecological disaster.

We are getting closer and closer to the point of no return. The worldwide population explosion, increased poverty, and environmental decline must be addressed on an international scale. We either work to save everyone or face an end to everyone—rich and poor.

Unforunately, instability, insecurity, and injustice characterize today's world economy. The world economy is broken down into great blocs that focus on themselves and on mutual relations, trade, investment, credits, and technology. The reality of today's world economy and the triumphant image that major developed countries create have nothing in common. The growth and stability of the economies of self-proclaimed purely neoliberal societies are unsatisfactory; on the other hand, unemployment and social decay are on the rise.

The effects of extreme poverty in many of these countries is more and more noticeable, in contrast with uncontrollable consumerist trends. These societies are responsible for most global environmental deterioration, primarily as a result of their absurd squandering of resources. This plays a part in the rising poverty levels.

The forests are disappearing, the deserts are expanding, the soil is less fertile, ocean resources are decreasing, rivers are poisoned, seas are polluted, the air is sickly, and weather patterns are altered. Environmental destruction and deterioration continues almost three

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years after an alarm was raised at the Rio summit, bringing mankind to the brink of a situation that many believe to be irreversible.

Third World countries are home to 75 percent of the world's population, yet only receive 16 percent of the world's gross domestic product and account for only 23 percent of world exports. This is 5 percent less than in 1980. We can now refer to them as underdeveloped rather than developing countries: This is truly a case of underdevelopment. The gap between these countries and the rich nations is growing. These countries face a progressive worsening of their difficulties and a drop in their actual prospect to gain access to development. This is the outcome of the pressing suggestions to open up to the world. They want to reduce the state's role to merely providing services for multinational enterprises and to rely on completely unregulated markets to solve all their problems. Basic products continue to generate about 50 percent of the Third World's export revenues. To 57 African and Latin American countries, this proportion [words indistinct].

The drop in the price of basic exports and the increase in the price of imports from developed countries are worsening as a result of the push created by the thorough commercial opening and the removal of market regulations used in the past—and believed today to be harmful to market freedom—as well as the implementation of broad protectionist programs aimed at closing the markets of developed countries or expelling Third World exports from them.

The current prices on basic products are only 57 percent of what they were 15 years ago. Meanwhile, the rhetoric of commercial freedom spreads worldwide. We face the scandalous rejection of neoliberalist principles of efficiency. For example, the agricultural subsidies of developed countries amounted to $321 billion in 1991, more than 2.5 times the amount of world exports of agricultural, fishing, and forestry products.

The media reports on Third World foreign debt far less than it used to. They believe that the problem is just about solved and relegate it to the past. This debt actually amounts to a phenomenal $1.526 trillion today. Debt servicing payments amount to more than 20 percent of revenue earned from the underdeveloped world's exports. The Third World has made debt servicing payments in 10 years alone that are equal to the debt it has yet to repay. Foreign debt remains a major obstacle to the development of these countries and threatens to return as a major destructive factor for the entire world economy.

Many are experiencing the terrible consequences of having introduced neoliberal formulas from the north into the Third World. Macroeconomic growth and empty figures do not conceal the hard reality of unemployment, poverty, and hunger. What meaning can concepts such as the globalization of the economy have for the billions of illiterate adults and for the 500 million children who do not have any schools? What can the neoliberal discourse do for the 1.2 billion people who live in poverty? The call to fierce competition leaves no room for human solidarity. What do the billions of starving people care? The selfish principle of each man for himself cannot do anything for the 180 million children who are seriously undernourished, for the 1.5 billion people who do not have access to basic health care. The extreme poverty of the Third World and its dire consequences are an affront to mankind as he approaches the new millennium. This tragic situation confirms that true social development calls for the fairer redistribution of income, the improvement of the quality of life, and the rational and balanced use of the environment. It also implies the prevalence of solidarity among men and nations and the peoples' right to development and to choose their own strategy to attain it.

The basic demands set out in the UN program for a new international economic order remain valid 20 years later. An equitable and rational international economic order allowing for the production and consumption of enough food for all of the planet's inhabitants, protecting against environmental deterioration, [words indistinct] greed and exploitation, as well as poverty and ignorance. This shameful contrast must end: The top 20 percent of the world's richest nations consume 85 percent of the world's resources, while the poorest 20 percent only get 1.4 percent. What is 0.7 percent of the gross product of the richest countries to the development of exploited and victimized nations? Is this being fulfilled? Is this enough? It is less likely today that enough aid will be available to meet Third World demands dating back to the 1970s.

Hope that the Cold War's end would make it easier to replenish the enormous resources wasted on the arms race has withered away. Everyone knows that these resources, invested in destruction and death, could actually meet the essential goals of social development and help preserve our planet. However, the Third World still awaits military spending cuts to have real impact on developmental aid levels.

Despite this very gloomy context, Cuba is pleased with UNESCO's efforts in the development of cooperation programs in the context of its sphere of responsibilities. This makes it possible to build close relations between the countries. Cuba is pleased to have participated with UNESCO in many educational, scientific, and cultural cooperation programs. Allow me to express Cuba's gratitude to UNESCO for remaining alert to our needs, our demands, and the Cuban people's efforts over a 30-year period. We can take pride in sharing that understanding and trust and can show the world the results.

In Cuba's case, the abrupt end to most of our international economic relations and the fierce blockade that the world's major power maintains against us compound our development problems today. This blockade is a brutal violation of an entire people's human rights and

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constitutes the most flagrant expression of intolerance. It runs counter to the ideals that the international community—including UNESCO—has advocated in this international year of tolerance. Despite all these difficulties, the poor nation of Cuba has shown that men can work to better mankind and that much can be achieved with enough willpower and social organization.

We have been able to help many Third World countries. We send them doctors to provide free service. As you all know, you can count on any doctor you could ever need being available. Your medical needs can always be met. Cuba has the greatest number of doctors per capita in the world, more than the United States, Canada, and many of the most highly developed countries.

Cuba has virtually wiped out illiteracy. The average Cuban has reached at least the ninth grade level. We have one teacher per 45 inhabitants and three students. [sentence as heard]

Cuba has the most teachers per capita. We continue to turn out teachers and doctors [words indistinct]. We still have universities. We have slowed the pace, but we have not [words indistinct]. Not one teacher or doctor is unemployed. Not one child is prevented from attending school or left without a teacher, despite our enormous needs. That is why I say that it is possible to achieve many things when there is a just distribution of goods and services. There is always enough for everyone, even if resources are limited.

We have one university graduate for every 15 workers and one midlevel technician for every eight. The truth is that this is almost out of hand. We can maintain this and even provide them with social protection, despite all our difficulties. Our universities, as well as our vocational schools, continue to turn out professionals. This cannot stop. We are not about to cease our efforts. The greatest development potential in tomorrow's world lies in training our people.

The medicinal needs of all children under 11 and 92 percent of children 12 to 14 are covered. Doctors visit the schools to treat the children. There are different factors [words indistinct].

Education, like all other basic social services, is freely available to every citizen. All of you know how costly a university education can be in some countries. It can be astronomical. In Cuba, social security covers 100 percent of the working population. This benefit is already enjoyed by more than 10 percent of the population, despite the criminal U.S. blockade that I already mentioned.

[Words indistinct] applied against apartheid. Everyone knows that they sold arms to South Africa, they provided refuge to the [words indistinct] the development of at least eight atomic bombs. When we were fighting alongside the Angolans and the [words indistinct] in Cuito Cuanavale [words indistinct] 52,000 Cuban fighters. This was a very high figure, but we could not make a real contribution with a small force from such a distance. In fact, the apartheid troops [words indistinct]. We deployed our troops despite concerns that they might deploy nuclear weapons. There were large concentrations of them deployed tactically, taking all the necessary measures. We, the Angolans, and the Namibians happened to clash with a country equipped with nuclear weapons.

[Words indistinct] the Argentine military government made 30,000 or 40,000 people disappear; in Guatemala, where the number of people who have gone missing since the mercenary intervention against the [word indistinct] government which was organized by the CIA reaches 100,000; nor in Chile, after the coup d'etat in which Salvador Allende was killed, was there a blockade on any collaboration [words indistinct]. What did Cuba do? Our opposition to the blockade aside, the fact of the matter is that the blockade is a criminal act. It cannot be justified under any circumstances—even if the worst of all governments is in power—because the people—children, women, the elderly, the sick—are the ones who suffer. The blockade should be eradicated as a weapon [words indistinct] it is used selectively.

A country that has done so much for its people and for other peoples...[pauses] More than 10,000 Cuban doctors have performed service abroad free of charge. We had 25,000 students from Third World countries on grants at one point, more than any other country. The aid we pulled together to help victims of the Chernobyl disaster proved much more than all other countries combined; in addition, our doctors treated 13,000 children who were at Chernobyl. This is hardly ever mentioned. Why should anyone mention it? I mention this to demonstrate [words indistinct] most inspired feelings of our policy. The other countries of the world combined did not treat 13,000. We continue to treat the children of Chernobyl despite the blockade.

We have worked with great altruism not only for our own people but also for others. We feel and experience their suffering. We know what is happening worldwide and in the Third World, in particular. Our relations with other nations improve with each step they take to isolate us even more. We have never understood this almost exclusive blockade of Cuba.

They could never forgive us for rebelling. Millions are being invested in the PRC—which makes us happy—and billions more in countries like the ROK. While they receive two, powerful, 2,000-megaton nuclear reactors, Cuba is not even allowed one aspirin. We have been refused everything, including treatments for tetanus. Why Cuba? What is it about us that makes us so different from other countries? We are working in many fields, research, etc. We are making efforts in biotechnology and medicine. Attempts have even been made to hamper this research effort. Why all these efforts against Cuba? Why so much hatred?

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I think I already mentioned that 70 percent of our trade has been blocked. We face major difficulties. However, today I can count on the vast majority of Cuban citizens' unconditional support. A revolution with a weapon as powerful as this to resist a country as powerful and politically influential as the United States can overcome anything. The Cuban people have made considerable effort and considerable sacrifice. Many people believed that the Socialist bloc's collapse meant Cuba's end. However, we are still here. Cuba is here. The United States is unable to understand what has happened, even with all those computers on hand.

The attitude of the U.S. people and the U.S. press toward Cuba is improving. A total of 300 editorials were recently published on Cuban achievements in all fields, including education and science. Many intellectuals have spoken out against the blockade from which my country suffers today. We resist and will continue to do so, as resistance is the key to victory when the cause is just. Those who do not have a just cause cannot make headway and cannot remain on course for long.

There is no racial discrimination or sex discrimination in Cuba. The drug problem was eradicated long ago. We do not have a drug addiction problem. Figures on crime are among the lowest on the continent. No one has to sleep on the streets, and no one is left homeless. Every child is guaranteed a liter of milk, despite all of the difficulties.

In the midst of the difficult economic situation, we have launched an organized process of transformations and measures related to the operation of our economy in the search for a formula that allows us to achieve greater efficiency when implementing the prioritized tasks which we have set for our country—that is, to preserve the levels of social protection which we have achieved, to increase production, and to attempt to replace imports. The firm steps we have taken have yielded positive results.

In 1994, we recorded the highest growth rate in recent years. [Words indistinct] productive sectors to which we can add measures to reestablish the balance of the internal finances. We stimulated the self-employment sector and cooperatized production establishments. We have also succeeded in attracting an increasing amount of foreign capital and in creating conditions for [words indistinct] as a source of capital in [words indistinct]. Scientific development efforts have reached unprecedented levels in our country. The results appear to be very promising today.

Cuba knows that its national identity and independence must be preserved. We are preserving our revolutionary soul. The Cuban people's sacrifices over 30 years of socialist revolution have yielded their fruit today. Jose Marti, who received many UNESCO tributes on the 100th anniversary of his death, stressed the importance of sovereignty to dignified men and women who would never renounce their liberty. Being educated and literate is the only way to be free, and what he said then shall never be forgotten.

Our country will never surrender. Why? We prefer to lose our lives rather than lose our fatherland. We are convinced, as Jose de la Luz y Caballero used to say, that until the stars themselves fall from the sky, until the vault of heaven collapses, if there is justice, we shall continue to live. Thank you. [applause]

Castro Meets French Employers, Comments on U.S. Embargo

LD1403171095 Paris LCI Television in French 1600 GMT 14 Mar 95

[FBIS Translated Excerpt] Fidel Castro is setting out to conquer Paris. After a first day devoted to official meetings, the Cuban leader visited the tourist sights this morning. [passage omitted]

This afternoon, the Cuban leader was received by a delegation of French employers at the National Council of French Employers [CNPF]. His aim was to persuade them to invest in his country, and it was outside the CNPF headquarters that our correspondents, Gregoire Deniaud and Manuel Saint-Paul, recorded this exclusive interview which you are going to hear:

[Begin recording] [Correspondent] So, you are coming to see the capitalists?

[Castro] Mmmm.

[Correspondent] Why? Is the revolution over in Cuba?

[Castro] No, no.

[Correspondent] So, why are you coming to see the capitalists in France?

[Castro] Because we need a lot of partners.

[Correspondent] Are you trying to persuade France to help you put an end to the U.S. embargo?

[Castro] No, not especially. We have been fighting the U.S. embargo for a very long time.

[Correspondent] And what is happening with the political prisoners in Cuba?

[Castro] You know, there are political prisoners all over the world, like the activists of the Red Brigades in Europe. In my opinion this whole question of political prisoners is greatly exaggerated.

[Correspondent] Are you going to announce the release of political prisoners on the occasion of this visit?

[Castro] That is not the aim of my visit. I have not discussed it with the French leaders.

[Correspondent] Not even with Madame Mitterrand?

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[Castro] Danielle is a great humanist. I work hand-in-hand with her. She takes an interest in all the noble causes of this world. [end recording]

[Studio announcer] Edouard Balladur commented on this visit by Fidel Castro, saying in an interview with the REUTER agency that he is not, I quote, convinced that in the current circumstances it is appropriate to lend a spectacular character to relations between France and Cuba. The prime minister specified that Fidel Castro had not asked to be received at the prime minister's office.

Urges 'Equitable Distribution of Revenues'

FL1403213495 Bridgetown CANA in English 1728 GMT 14 Mar 95

[FBIS Transcribed Text] Paris, March 14, CANA—In his first official visit to the United Nations Educational, Scientific, and Cultural Organisation (UNESCO) and fresh from the United Nations Summit on Social Development, President Fidel Castro of Cuba Tuesday [14 March] called for a fairer sharing of the world's resources.

"True social development requires the equitable distribution of revenues, improvement of the quality of life, the rational and just use of the environment," the 68-year-old Cuban president said. "It also requires the predominance of solidarity among men and between nations, and the right of each nation to development and to decide its own strategy to achieve it."

UNESCO Director General Federico Mayor invited Castro to visit the organisations's headquarters, which also marks the first time he has been in France since he led a revolution to victory in 1959.

"The summit in Copenhagen on social development has been a major point of transition of great conceptual and practical transcendence on the long path towards a better leveling of the unacceptable current disparities," Mayor said. It will lead "towards reformulating development so that human beings are the major actors and beneficiaries, so that the verb "to share" has a singular role."

In a speech that lasted about an hour, the Cuban president called upon the world's leaders to "carefully study" the agreements made there. "Each time budgets are made for education, science, and culture, there are strong arguments in favour of devoting more resources to these areas," he said. Castro then drew a dark picture of the globe's economic and social state. He spoke of a world "shaken by indiscriminate violence and fratricidal war, the brutal disintegration of society, massive migrations." The hope for peace and stability, which appeared after the end of the Cold War, has been replaced by the emergence of a "single-poled world" marked by an "irrational imbalance."

"The world's panorama does not stimulate optimism," the Cuban president said. "We are confronted globally by a political, social, economic, and environmental crisis without precedent in the history of mankind."

Castro also called for reforming the United Nations system. "Democratising the United Nations calls for abolishing the anachronistic privilege of the Security Council veto" and requires the equitable geographic representation of its members, he said. The United Nations should contribute to a "true solidarity among nations," Castro said.

"The growth of the world's population, the expansion of poverty, and the deterioration of the environment are today global problems that require joint solutions. The alternative is clearer each day. Either we all save ourselves together, or we all sink together, rich and poor."

Castro Attends Cuban Embassy Reception

FL1503024695 Havana Radio Rebelde Network in Spanish 0000 GMT 15 Mar 95

[Report by Carlos Sanabria Marero, in Pyaris; from the "Exclusive" program—live or recorded]

[FBIS Translated Excerpt] During an official reception at the Cuban Embassy in Paris, Fidel Castro, in response to a question from the French press, described the first two days of his visit to Paris as simply extraordinary, marvelous, and excellent. [passage omitted] Fidel concluded his second, and very full day's agenda this evening by attending an official reception given by the Cuban Embassy at the Latin American House in Paris. Government, parliament, political, and business leaders attended, as well as distinguished cultural and artistic members of French society, and many other personalities who mingled with Fidel, who was dressed for the occasion in an elegant business suit. While the official reception by the Cuban Embassy, attended by many accredited members of the diplomatic corps, was going on, a friendship with Cuba event was taking place in front of the Latin America House, during which several organizations condemned the blockade against Cuba.

Lastly, Foreign Minister Robertico Robaina is on his way to Canada.

Says 'World Is Changing'

FL1503025995 Havana Cuba Vision Network in Spanish 0100 GMT 15 Mar 95

[From the "NTV" newscast]

[FBIS Translated Excerpt] [Passage omitted] Commander in Chief Fidel Castro met this afternoon with the National Council of French Employers [Patronato Frances]. A delegation from this organization recently visited Cuba. According to this institution, France is the (fifth) investor in Cuba, preceded by Spain, Canada, Mexico, and Great Britain. The investments are aimed at vital sectors of the national economy including mining, tourism, construction, and agriculture.

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[Begin Castro recording, in Spanish with passage by passage translation into French] We are living in an exceptional period in time, when we must all obtain experience and gain knowledge. Above all, we must all learn to work [words indistinct]. The world is changing and a new era begins, different from that of the Cold War. [end recording]

Afterwards, numerous personalities from the French political, cultural, and economic sectors attended a gala held at the Cuban Embassy. Several solidarity groups took advantage of the occasion to demonstrate their support. [passage omitted]

The press put Fidel's presence in France on the front page of all newspapers, along with lengthy reports. From the moment of his arrival, every newspaper printed pictures of Fidel.

Says 'Too Old To Convert'

LD1503103995 Paris LCI Television in French 0900 GMT 15 Mar 95

[FBIS Translated Text] Everything has become a stake or a campaign argument, even Fidel Castro's visit to France, which has led to a controversy in the right wing. Some people close to the prime minister have criticized Philippe Seguin [National Assembly speaker], among other people, for receiving the Cuban head of state at the National Assembly with great pomp and ceremony.

[Prime Minister] Edouard Balladur has let it be known that he did not wish to meet Castro.

The great leader yesterday met the heads of the leading French companies at the headquarters of the CNPF [Conseil National du Patronat Francais, National Council of French Employers]. He admitted he was now too old to convert to capitalism.

Former French Communist Leader Views Visit

FL1503024995 Havana Radio Rebelde Network in Spanish 0000 GMT 15 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] Georges Marchais, former French Communist Party secretary general, said that Cuban President Fidel Castro's current visit to France contributes to strengthening international positions against the U.S. blockade of Cuba. In statements to PRENSA LATINA, Marchais stressed that the presence of Fidel in France will spur relations between France and Cuba, as well as increase interest in investment in Cuba by French businessmen. Marchais stressed that the popular and official reception given Fidel Castro is unprecedented in France.

Commentary Questions U.S. Defense Department Meeting

FL1403184495 Havana Radio Rebelde Network in Spanish 1255 GMT 14 Mar 95

[Commentary by correspondent Eduardo Dimas from the "Doing Radio" program]

[FBIS Translated Text] There is some news, as I have stated in the past, that never becomes known. It is not truly appreciated, and is clouded by other news that is currently more significant. Often, certain governments wait for this kind of situation to launch information, knowing that this news is not going to be widely publicized.

Precisely on 2 March, when all the press agencies were covering the World Summit on Social Development, the U.S. Defense Department called the western hemisphere defense ministers to a meeting announced as a "Study of Regional Security Issues, Drug Trafficking, and Armament Control."

A Pentagon spokesperson reported that Defense Secretary William Perry invited his counterparts from Canada, Latin America, and the Caribbean, to the meeting to take place in Williamsburg, Virginia, from 24 to 26 July. Additionally, John Shalikashvili, Chairman of the Joint Chiefs of Staff, toured several Latin American countries to promote the meeting.

The United States hopes to discuss several issues in the military meeting, such as joint maneuvers with Latin American armies, drug related events—harvest, production, trade, and money laundering—and nonproliferation of military weapons.

Many observers wonder whether the dialogue proposed by the U.S. Defense Secretary is part of the reshaping of the U.S. diplomatic strategy, which President Clinton broached in his speech during the U.S. National Policy Conference.

Truly, in addition to the good historic relations between the United States and the Latin American Armies in the past—we need to remember the coups which proliferated in the 60's, 70's and 80's—the new world situation calls for a reevaluation of military relations between the United States and Latin American armies.

Clinton believes that the United States needs to take over the world leadership in the aftermath of the Cold War, and opposes those in Congress and other places who favor a policy of isolation which would lead to removal from international issues, preferring to target U.S. power within the country. However, one way or another, it is clear that Latin America is—and has always been—the U.S. backyard, therefore, the United States will not allow anything that could endanger its stability.

Hence, due to historic reasons, most observers see the Pentagon's invitation as a way to strengthen the dominance and control on the current and future events in Latin America. It is clear that drug trafficking has become a national security problem in the United States, which refuses to fight inside its borders, and prefers to conduct the battle on foreign soil instead.

It is important to stress that social upheavals could take place in Latin American if the economic situation continues to decline. The U.S. government promoted the

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Inter American Defense Council, and the Inter American Reciprocal Cooperation Treaty, with the pretext of fighting communism. From a practical standpoint, these mechanisms were useful to repress national liberation movements, and to put the military in power through coups d'etat. This is no longer necessary, but perhaps it will be in the future.

Obviously, a meeting of the United States with Latin American military men always brings to mind new repression, new coercion mechanisms, and strengthening of the U.S. interests in the region.

We need to wait for the results, yet, we can speculate on the reasons for this meeting.

Minister Notes Importance of Iranian Delegation's Visit

FL1503023995 Havana Radio Rebelde Network in Spanish 0000 GMT 15 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] Basic Industries Minister Marcos Portal today stressed the importance of the Iranian parliamentary delegation's visit, led by the president of the Friendship With Cuba group. ['Ali Mohn Fared] told his hosts that Iran is ready to collaborate with Cuba because Cuba and Iran are two nations fighting for liberty and independence. The president of the Iranian parliamentary group, Friendship with Cuba, met with Foreign Trade Minister Ricardo Cabrisas and this afternoon with acting Foreign Minister Fernando Remirez de Estenoz. [Fared] was accompanied by Gholam 'Ali Heydar Khajehpur, Iranian ambassador to Cuba, in all his meetings.

Latin American Countries Meet on Chemical Weapons Treaty

FL1403200795 Havana Radio Rebelde Network in Spanish 1800 GMT 14 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] A regional seminar to ban and stop chemical weapons worldwide began on 14 March in Havana. The meeting's goal is for Latin American countries to think about the preliminary steps to take in implementing the treaty which prohibits development, production, storage, and use of chemical weapons and calls for their destruction.

PRENSA LATINA has reported that, in addition to the Latin American countries—the ones which have signed the treaty, and those which have not—guests of other world regions, institutions, and international organizations involved in the disarmament issue are attending the meeting.

The treaty will be implemented 180 days after being ratified by the 65th country. So far, the only two countries which officially have chemical weapons—the United States and Russia—have not endorsed it.

Haiti

Aristide Urges Anti-Crime 'Vigilance Squads'

FL1403223795 Port-au-Prince Radio Metropole in French 1700 GMT 14 Mar 95

[Passages in italics in Creole]

[FBIS Translated Text] More than 10 people died and about 20 were injured in Port-au-Prince and in some provincial towns over the past two weeks. Several murders and crimes in general were perpetrated following carnival. In view of this upsurge in crimes and acts of insecurity in the country, President Aristide again recommends the formation of vigilance squads. Interviewed by journalists at the National Palace on 13 March, the president explained that the case on insecurity was being studied by his government. He also took the opportunity to recall his recommenation of 7 February, meaning the establishment of vigilance squads to face the insecurity that is becoming a major concern for the Haitian population. The president also spoke of the high cost of living.

[Begin recording] [Aristide] *Together, let us continue to work, not just sit back and wait for a solution, but work to make it come more quickly. Participation is not an empty word. It means unity. When all of us do what we are supposed to do, then we will find the solution.*

[Unidentified reporter] Regarding the impending arrival of President Clinton, could you tell us what special preparations are being made right now?

[Aristide] *As soon as it was announced, we began to prepare. We will welcome him with a face that resembles Haiti, meaning a beautiful greeting that reflects our dignity, our pride.*

[Unidentified reporter] President Aristide, have you received reports of a plot against state security?

[Aristide] *We are working on that.*

Judges Fired; Defendants Hide, Flee in 'Plot' Case

FL1403232895 Port-au-Prince Radio Metropole in French 1145 GMT 14 Mar 95

[FBIS Translated Excerpt] One of the hot news items this morning is about those accused by the government of hatching a plot against state security. Two of the accused are in protective custody awaiting a decision from Justice. The case, however, has reportedly created some victims. Two judges working on the case were dismissed, one examining judge and a deputy public prosecutor. The latter was holding a session when he received his letter of dismissal. Meanwhile, the file on the two prisoners was sent to the examining office. Rodrigue Sejour filed a report:

[Begin Sejour recording] Most of the people accused of plotting against internal state security have either fled to

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a foreign country or are in hiding, while others have been arrested and imprisoned. Regarding the files of Dieumaitre Lucas and Former Major Patrick Bastien, the doyen of the Court of First Instance has already proceeded with distribution of the cases to the examining judges. According to Judge Bernovil Audate, who was questioned in a context not involving the cases in question because of their mandatory confidentiality, the legal procedure gives an examining judge three months to examine a case of which he is in charge. [passage omitted]

According to the doyen of the Port-au-Prince Civil Court, Attorney Bien-Aime Jean, priority can be given a case, however, particularly when the government is involved. He guarantees that the files of Dieumaitre Lucas and Patrick Bastien will be settled very quickly, recognizing nonetheless that the examining judges are currently overwhelmed, and that it was necessary to increase their number, which until now had been limited to four. Meanwhile, Attorney Paulette Legros Montagnier, an examining judge working on the Dieumaitre Lucas case, has been dismissed. It is unknown, however, whether this government decision was directly related to the case of those wanted for a plot against internal state security. [passage omitted]

The counsel for the defense, in an open letter to the doyen of the First Instance Court, last week declared the incarceration of its clients illegal and arbitrary. The summonses issued by the government commissioner, Attorney Jean-Auguste Brutus, are, according to the defense, in blatant violation of Article 30 of the criminal instructions code. This article of the code specifies that denunciation alone is not sufficient to issue a summons against someone with a domicile. This argument was rejected by the government commissioner who considers the memoranda of the Interior and Justice Ministries a complaint that requires him to take legal action. [end recording]

Electoral Training Seminars Set; Election Schedule Late

FL1403132095 Port-au-Prince Signal FM in French 1130 GMT 13 Mar 95

[FBIS Translated Text] A training seminar is scheduled for the Departmental Electoral Office [BED], Communal Electoral Office [BEC], and Registration and Polling Station [Bureau d'Inscription et de Vote, BIV] members. It was learned from a source close to the electoral institution that the Provisional Electoral Council [CEP] will begin on 13 March a series of seminars aimed at training the BED, BEC, and BIV members. An instruction manual has been set up for this purpose by the CEP members, according to explanations from our source. After this seminar, those in charge of organizing the upcoming elections will be able to carry out their duties efficiently.

In addition, we learned from a reliable source that the electoral process will not unfold as scheduled in the electoral timetable. Unwittingly, the CEP will be late in the execution of this timetable, it told us, citing problems faced by the CEP, notably road communication problems and others.

First CEP Seminar Day Provides Electoral Overview

FL1403234795 Port-au-Prince Radio Metropole in French 1700 GMT 14 Mar 95

[FBIS Translated Text] The Provisional Electoral Council [CEP] continues to implement its structures. A training seminar began on 13 March for members of the electoral offices. It is a matter of training instructors who will then train those in charge of the electoral offices. Windel Theodore has details:

[Begin Theodore recording, in Creole] It is the first civic education seminar that the CEP has held since its formation. The objective of this seminar is to give the PNUD [United Nations Development Program] instructors, who number around 27, additional training so they can train Voting and Registration Office [BIV] and Communal Electoral Office [BEC] members on their rights and duties. The real importance of the seminar, however, according to Mrs. Micheline Dorce, director of CEP civic education, is to motivate voters to participate in the June elections, as a result of the training that the instructors will provide to the BEC/BIV members and other employees already in the field, and to ensure that the elections are held under positive conditions. This seminar at the Christopher Hotel will last three days.

During the first day, the speakers spoke of electoral law, the organization and structure of the electoral machine, and electoral operations. The instructors are also trained on the actual duties of BEC/BIV members and other employees, training that will provide them with enough knowledge of the work they are doing to allow the elections to succeed. According to the director, tho instructors, who come from the nine geographical departments in the country, are non-partisan. This was an agreement between PNUD and IFES [no expansion provided], which is offering technical assistance to the CEP, by helping them find trained people since the CEP, as a provisional institution, does not have an adequate infrastructure. The CEP is using the services of PNUD instructors, who are providing additional training on how the June elections will be held. [passage omitted]

One of the instructors we questioned told us that the first day was only for meeting the CEP members. He hopes to learn a good deal from the CEP on elections so he can apply the training they receive during that seminar. [end recording]

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Zedillo Announces Exchange Policy To Back Exports

PA1503011495 Mexico City NOTIMEX in Spanish 2204 GMT 14 Mar 95

[FBIS Translated Text] Mexico City, 14 Mar (NOTIMEX)—Mexican President Ernesto Zedillo today announced that once an exchange rate is reached that is compatible with a sustained support for exports, an exchange policy will be applied that will stabiliize the peso rate.

At the closing of the 51th Annual Seminar of the National Association of Importers and Exporters, Zedillo said that this measure will allow exporters to make long-term investment plans.

He pointed out that "as soon as we are sure of the actual exchange rate that will give a permanent boost to the export sector, we will implement an exchange policy to validate the stability of this rate.

The government will implement a policy of permanent support to exports that is compatible with the trade agreements signed by Mexico, the president said.

"We will continue to encourage international agreements with whomever we deem expedient," and Mexican products and services will receive an overall boost, Zedillo stated.

He said that the export sector has an enormous potential that we should take advantage of now more than ever, and that is why "we are committed to advance in the building of a clear framework of certainty and fair treatment for exporters."

The president said that efforts will be made to reduce the administrative and legal red tape that our products face in international markets.

Regarding imports, Zedillo stated that he will encourage fair competition, and the full weight of Mexican legislation will be applied to those cases in which Mexican producers suffer from unfair international trade practices.

"We must take the necessary measures to prevent the triangular trade of merchandise originating in countries that are not part of the preferential system, and we must complement this with an in-depth restructuring of the country's customs operations," he added.

Zedillo gave assurances that trade links should also be generated to gain rapid and efficient access to the world's main markets and to diversify exports even further.

"We will continue to encourage international agreements with whomever we deem expedient in order to gain conditions that guarantee reciprocity with our international competitors," the Mexican president said.

He said that the government has begun reviewing all foreign trade promotional instruments, and access opportunities for national products in international markets that the new treaties offer will be published.

Further on Policy

PA1503035895 Mexico City Radio ACIR Network in Spanish 0000 GMT 15 Mar 95

[Report by Rosie Ahuactzin Vazquez at the Los Pinos Presidential Residence; from the "Evening News Panorama" newscast—live relay]

[FBIS Translated Text] Once the economic crisis is overcome, the federal government has announced it will adopt a strategy aimed at boosting domestic savings and promoting exports. President Ernesto Zedillo met with export sector entrepreneurs and announced today that because we can no longer depend on the inflow of foreign capital, he is willing to undertake new and deep institutional, financial, and tax reforms. Regarding the exchange policy, he said, restoring confidence will be the goal and the exchange rate will have to ensure the stability of the true value of the peso. This will allow exporters to make long-term investment plans.

[Begin Zedillo recording] As soon as we are certain of the actual exchange rate that will give a permanent boost to the export sector, we will implement an exchange policy to ensure the stability of this rate. This is necessary so that the boost to exports will be sustained and permanent. [end recording]

President Ernesto Zedillo met with about 200 members of ANIERM, which stands for the National Association of Mexican Importers and Exporters, headed by Juan Autrique Gomez, here in Los Pinos Presidential Residence. The president reiterated that the crisis is more serious than what was thought in January and is the result of accumulated imbalances over several years and the behavior of international financial markets. Zedillo said that the measures are tough but temporary and require unity. The strategy to overcome the economic emergency, he said, has a course, a course that is clear and will always follow fiscal and monetary discipline. This also includes the development of the productive sector and the encouragement of private and foreign investments.

Sources: U.S. Envoy, Businessmen Met Zedillo

PA1503005395 Mexico City NOTIMEX in Spanish 0053 GMT 10 Mar 95

[FBIS Translated Text] Mexico City, 9 Mar (NOTIMEX)—Sources close to the Presidency of the republic announced today that U.S. Ambassador to Mexico James Jones was at Los Pinos official residence yesterday, heading a group of U.S. investors.

The same sources stated the U.S. businessmen headed by the diplomat met with President Ernesto Zedillo Ponce de Leon and with Presidential Office Chief Luis Tellez.

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The sources said Jones and the group of investors did meet with the Mexican president, contrary to yesterday's reports to the effect that the diplomat did not meet with Zedillo Ponce de Leon.

PRI Urges Members to 'Close Ranks'

PA1403174295 Mexico City UNOMASUNO in Spanish 13 Mar 95 p 5

[Report by Jorge Octavio Ochoa]

[FBIS Translated Text] PRI [Institutional Revolutionary Party] legislators yesterday alerted the members of their party that it is time to "close ranks" around President Ernesto Zedillo, and in an open threat against the "Salinist" groups, they also warned that those who insist on stirring the waters in favor of Salinas to promote personal interests must express their opinion outside the PRI.

Meanwhile, the opposition parties stressed their demand for the criminal and political prosecution of former President Carlos Salinas. At the same time, some PRI members simply favor his departure from the country to prevent "moral lynchings," which often reflect only populist and vengeful ambitions.

This is the atmosphere prevailing days before the beginning of the regular Congressional sessions on 15 March, during which new amendments to the Expenditures Budget and Revenue Law must be approved to reduce the government's public spending by 2.8 percent in 1995 and to authorize a 10-15 percent increase in the value-added tax (IVA).

Ifigenia Martinez Hernandez, who is a PRD [Party of the Democratic Revolution] deputy and taught a large number of economists in and out of government, warned that the adjustment plan President Zedillo implemented is unfair to people because it condemns them to "tightening their belts" following 12 consecutive years of austerity, while those responsible for the crisis go unpunished.

In the meantime, Saul Escobar, who also belongs to the PRD and who is the Chamber of Deputies' Finance Commission secretary, advocated the "swift" prosecution of former President Salinas, because, Escobar maintained, there is sufficient evidence suggesting Salinas is the main culprit of the serious economic and financial crisis the country is facing.

There is evidence and public statements that prove it, Escobar maintained. He cited the statements Rudiger Dornbusch made recently as an example. Dornbusch accused Salinas of being responsible for this "major downfall" Mexico is going through, because "he knew what he was doing but became obsessed with an extremely dangerous strategy, which is the same one that Pinochet implemented in Chile in the late 1970's and also failed."

The statements Treasury Secretary Robert Rubin made—as he pointed out that maintaining a large current account deficit and using reserves to support a fixed foreign exchange rate for the peso forced Mexico to face an unbearable situation and led it to the current crisis—also target Salinas.

In the opinion of PRI member Alejandro Rojas Diaz Duran, the former president must simply leave the country because he is a source of instability. The anger toward the former president is already spreading and certain sectors are demanding his "self-imposed exile" for the sake of Mexico.

PRI Deputy Jaime Del Rio Navarro, the secretary of the Chamber of Deputies' Programming, Budget, and Public Account Commission, emphasized that his party has agreed to reasonably support President Zedillo, rally around him, and maintain unity to enable the "quite painful" measures we have adopted to succeed.

He asserted that "if someone is against this consensus within the PRI and insists on stirring the waters, to be honest, he must withdraw from the party."

To Seek No Illusions

The Mexico City deputy said that in the next debate on the IVA increase, the PRI members must consider that the PRI is the ruling party; thus, "it cannot seek illusions or fake solutions." In these times of crisis, it cannot act with partisan interests in mind.

"No one likes the announced economic package but if this is the price to resolve the problem, its implementation is worthwhile. In this context, the priority is achieving financial stability because otherwise this would only be the tip of the iceberg [previous word in English] of the problems the country is facing," the deputy said.

Del Rio Navarro admitted he "doesn't like" the austerity plan but reiterated he does not see any other feasible alternative. "We must continue on this course," he added. He also said the PRI bloc is analyzing the possibility of further reducing government spending this year to reach the 2.9 percent announced last week.

According to the PRI deputy, the main lesson the Mexicans should learn from this serious crisis is that we cannot be dependent on foreign capital and that we we must promote domestic savings.

The response of financial speculative capital was "deficient," and it played a "perverse" game that harmed the country, he concluded.

For her part, Ifigenia Martinez insisted that a dual exchange system must be established in Mexico because "speculative operations cannot be treated in the same way as operations for the purchase of capital goods."

She also said a mixed banking system should be reestablished in Mexico because the nationalization of the

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banks by former President Lopez Portillo was "unnecessary and exaggerated" since the only thing needed was to maintain control of the private banks.

According to the preliminary calendar, the second ordinary period of the first year of work of the 56th Legislature will begin with a preparatory session this Wednesday. The first plenary session will be held on Thursday, 16 March. The economy will be the main topic.

PAN [National Action Party] member Jorge Ocejo Moreno, chairman of the Commerce Committee of the Chamber of Deputies, admitted the financial crisis will force Mexico to "review" aspects of its foreign trade, specifically NAFTA, as well as domestic trade, in order to resolve this difficulty as soon as possible. However, he predicted that in the near future "there will be opportunity to increase political, cultural, and commercial exchanges. [no closing quotation marks as published]

The PAN member said this when he welcomed a Thai parliamentary delegation visiting Mexico. It is headed by Kruelwa Somana, chairman of that country's Standing Committee.

PRD Leaders View Former President's Departure

PA1403154795 Mexico City XEW Television Network in Spanish 0430 GMT 14 Mar 95

[Report by Fernando Mora; from the "24 Hours" newscast]

[FBIS Translated Text] PRD [Party of the Democratic Revolution] leaders held today a news conference in Mexico City. Here is Fernando Mora with a report:

[Mora] PRD leaders held a news conference on the departure of former President Carlos Salinas de Gortari. PRD national leader Porfirio Munoz Ledo stated that Mexican justice should not be selective and therefore, the PRD will demand that Salinas de Gortari not be exempted from the political and criminal trials demanded by the PRD.

[Begin Munoz Ledo recording] It is incredible that some members of the family knew about the crime and were even involved in it while others did not know anything. [end recording]

[Mora] Meanwhile, Cuauhtemoc Cardenas Solorzano, the former PRD presidential candidate, said that those responsible for the country's current economic and financial crisis must pay.

[Begin Cardenas recording] This effort should involve the participation of the country's key sectors to save the nation from the current crisis. We know who the culprits of this crisis are because we have filed charges against them and the party has submitted evidence. [end recording]

Spanish parliamentarians (Isabel Vilallonga) and Carlos Carnero, members of United Left, attended the news conference which was held at the national PRD headquarters. The Spaniards came to Mexico to visit Chiapas State and meet with several officials.

Commerce Secretary Announces Talks on Price Hikes

PA1403150495 Mexico City XEW Television Network in Spanish 0430 GMT 14 Mar 95

[From the "24 Hours" newscast—passages within quotation marks recorded]

[FBIS Translated Text] The 51st seminar of the National Association of Mexican Importers and Exporters, Anierm, was held on 13 March in Mexico City. Commerce Secretary Herminio Blanco announced new talks will be held with the country's industrial sectors. New price increases will be negotiated on the basis of an exchange rate of six new pesos to the dollar. Here is what the commerce secretary said about price increases:

[Blanco] "By definition, prices will increase an average 42 percent."

Secretary Blanco said price increases will prevent shortages. Meanwhile, Jesus Marco Yacaman, deputy governor of the Bank of Mexico [Banxico], announced his institution will earmark 18 billion new pesos to restructure the debt portfolio of Mexican companies. This figure, he added, comes in addition to the 65 billion new pesos announced by the federal government through investment units.

This support program, Mr. Yacaman added, will allow the restructuring of portfolios for up to 83 billion new pesos. He reported that, beginning on 17 March, Banxico will establish a new legal reserve ratio to increase efficiency of internal credit controls.

Anierm President Juan Autrique demanded a new regulatory framework for foreign speculative investments:

[Autrique, in progress] "...should include limits on their return, as well as controls that correspond with the country's reality and that guarantee their equitable and rational implementation without discouraging them."

Mr. Autrique said it is imperative to restore trust in Mexico, because, he warned, nothing can be built on a jittery foundation. The Anierm president noted that Mexico is facing a recession with growing unemployment and this could create enormous social tension:

[Autrique] "We are in the eye of an economic hurricane that has seriously eroded confidence. We must understand that this is the main element we must tackle: Confidence in the institutions and those responsible for leading them."

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He said the Mexican exporting community was not taken into account in the drafting of the unity agreement or in the action program, and this, he noted, cannot be tolerated.

Meanwhile, Luis German Carcoba, president of the Business Coordinating Council, said Mexico is facing one of its most serious crises in history, comparable to the one of 1982:

[Carcoba] "This situation is apparently even more serious, because it is accompanied by strong doses of despondency and anger."

He pointed out that corporate decisionmaking has become paralyzed, and he warned that the high degree of disillusionment and deterioration of confidence among investors has prevented the return of capital, especially from domestic investors. Carcoba added that capital flight will be stopped only through the implementation of a defined and long-term policy coupled by a stable political and social situation.

Mr. Carlos Abascal, president of Coparmex [Employers Confederation of the Mexican Republic], demanded the federal labor law be modified, because it is obsolete and should not be maintained as a sacrosanct law:

[Abascal] "Strikes should be permitted, but there should be regulations that give additional legal guarantees to employers. Salary increases and promotions should no longer be based on seniority but on merit. We need to discuss aspects of the hiring system and be more flexible in terms of regional differences, number of hours, and the duration of contracts. This could even become a good way to fight unemployment."

He said unions in Mexico should be restructured and stop upholding business or state interests. Mr. Aaron Dickter, deputy transportation secretary of the Communications Secretariat, said bids for the sale of Mexican National Railroads will be ready in April. He urged the Mexican business sector to invest in the transportation area. President Zedillo will close the Anierm seminar on 14 March.

Chamber of Commerce Leader on Need To Replace Pact

PA1403201895 Mexico City LA JORNADA in Spanish 13 Mar 95 pp 1, 44

[Report by Patricia Munoz Rios]

[FBIS Translated Text] The Pact [Pact of Well-Being, Stability, and Growth] should be abolished and another form of concerted effort more in agreement with the new circumstances of the economy should be found because the business sector has gotten tired of that term and thinks that the negotiations among all the country's sector must be restarted and "modernized."

German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce (Concanaco), stated this in an interview at his office.

The business leader said it would be healthy if concerted effort among all sectors were to continue "but we should disqualify the Pact as such because of the new economic, social, and political circumstances and everything that is happening in the country."

The concerted effort must persist, but its objectives and operating policies must be redefined under the new circumstances.

He is asked: Should the Pact be modernized?

I would not say modernize the Pact, because we have gotten tired of that term. Instead, the concerted effort by sectors must be modified and updated.

In his opinion, there should be no more meetings of the Pact until one knows exactly how to estimate the way in which the devaluation will really affect business. He stressed: "We need the peso to stabilize somewhat and behave in a more sound manner to be able to make a more exact estimate of the economic variables that have an effect on businesses."

Proof of this is that the Program to Overcome the Economic Emergency signed on 3 January was well-structured and achieved its objective, but it stopped functioning due to the financial circumstances, such as the additional flight of foreign exchange during that month and in February, which is estimated to have reached $8 billion, in addition to the amount that had already left the country.

In this way, the agreements on prices that had been reached under that program were nullified because, as an example, the exchange rate was estimated at 4.5 pesos to the dollar because it was believed the peso would stabilize quickly. However, given that since 15 January no one has obtained dollars at that exchange rate, the businesses that had reached agreements on the basis of that rate have experienced a serious crisis.

Those who negotiated price increases with the Commerce Secretariat during the first months of this year estimated that the effect of the devaluation on costs would be 20 percent, but it was much higher.

All those agreements will now have to be revised because there are definitely no dollars for 4.5 pesos anywhere. The industrialists are paying a high price for them. "Most have suffered losses and a few come out even." The majority are in crisis, they cannot sustain the prices, and this "can lead to shortages because no one is going to produce something to lose money." Therefore, it is urgent that the agreements be reviewed by sector, German Gonzalez said.

He said this situation has impaired the already weakened economic situation of businesses. For example, according to a survey among firms of the trade sector,

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approximately 30,000 of these have problems with overdue portfolios and in addition, there are nearly 300,000 borrowers who are already having problems making their bank payments, in other words, they are in a situation of "tight credit."

Gonzalez stressed that the new system of "investment units" is being relied upon to solve this situation. He noted that the "zero coupon bond" program never worked: First there were legal problems in implementing it and then its administrative establishment became complicated.

As for the economic package that they expected from the government, he commented that the trade sector presumed it would first of all provide measures to pay for the crisis and, secondly, bring about growth.

Measures to promote the development of the micro-, small-, and medium-sized businesses were also expected but, above all, it was believed that some fiscal modifications were necessary, such as establishing a zero rate on the Assets Tax. This would enable close to 1.2 million firms to move ahead, because it is estimated that these do not register profits but do have to pay a tax that prevents their survival.

Asked if it is advisable for Mexico to maintain a system which allows the entry of foreign capital, either for the production sector or the speculative securities market, Gonzalez noted: In a free market, rules must be established for speculative capital so it cannot manipulate a country's economic policy, but this must be done at the international rather than at the national level because Mexico cannot restrict this when "at this time there is a worldwide scramble to attract capital."

Bank Association Agrees To Back Economic Program

PA1403150395 Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 13 Mar 95 p 9

[Report by Georgina Howard]

[FBIS Translated Text] Private banks have accepted, with reservations, the fact that the new program to combat the crisis "is currently the only option to end exchange speculation, skyrocketing interest rates, and financial market instability."

In view of the threat that an increased lack of confidence could lead to the systematic bankruptcy of many institutions, members of the Mexican Association of Bankers [ABM], who were received by President Ernesto Zedillo pledged "to close ranks and assume tax-related costs."

Executive Committee sources that took part in the meeting, which was attended by all bank owners, confirmed that credit institutions are always willing to defend and guarantee depositors' saving accounts, because this is the foundation for developing credit institutions.

They admitted that the 65 billion new pesos that will be used to restructure mortgage loans called UDI's [expansion unknown], will allow Mexican banks "a breather" and prevent their overdue portfolios from increasing.

This scheme, which calls for postponing due dates by as much as 12 years for viable small- and medium-sized businesses, will be discussed and analyzed by the ABM Executive Committee to enable each institution to begin implementing UDI's before overdue debts become uncontrollable, the executives who were interviewed said.

They recalled that a commission has already been established to oversee the promotion of UDI's and will start operating within two weeks.

They noted that the bankers told the president of the need to stabilize the exchange market as soon as possible, given that this has been, they insisted, one of the factors that has caused most of the volatility in recent days.

Likewise, they disclosed that new bank owners hope interest rates will remain at 40 percent, and, once the economic program has been implemented by all productive sectors in the second half of the year, these interest rates can be lowered.

It was guaranteed at this meeting that no bank will go bankrupt "because the appropriate mechanisms exist to prevent this," and it was learned that these programs and resources guarantee depositors' security.

Even though not all of the banks have officially agreed to join the Temporary Capitalization Program, the National Banking Commission already has a list of banks that will enter the program. Serfin and Banorie have already joined, Banco Mexicano has already issued auxiliary debt obligations, and Bancomer [Bank of Commerce] will implement a similar program on 22 March.

Cemai Official Endorses Minting Silver Currency

PA1403214895 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 13 Mar 95 p 3

[Report by Luis Martin Gonzalez Guadarrama]

[FBIS Translated Text] As long as the Bank of Mexico [Banxico] refuses to provide the people with a solid silver currency and continues to circulate a useless one, the country's financial markets will not stabilize and the economy will continue to deteriorate, according to Fernando Ysita Septien of the Mexican Businessmen's Council for International Affairs (Cemai). Ysita Septien made these remarks after denouncing the fact that top officials have major interests in stainless steel companies that are minting new pesos, "and perhaps this is why there is no interest in issuing a silver currency."

In an interview, he explained Mexico would have to spend only $300 million to mint a silver currency to

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replace the "trash currency" Banxico circulates and maintains without gauging the damage it is causing the country.

He added: "Considering that Mexico is a silver producer, it is foolish not to have a silver legal tender, and the consequences of this are being paid not only by public officials, but by the country's productive sectors and a majority of the population, which must now sacrifice the needs of their families."

Ysita Septien pointed out that, if Banxico continues to invoke myths when refusing to give the country a stable currency, the National Congress will have to seize the reins and order that this be done.

Various sectors have proposed the minting of a silver legal tender, but Banxico officials have used absurd reasons to argue against it.

Some of these reasons are that "it is no longer used abroad"; "people would hoard the coins instead of opening savings accounts at the banks"; or "silver producers are interested in minting the coins only because they would benefit."

He added some former socialist countries, in view of the serious deterioration of their economies, have issued silver currencies, and some of these currencies are as strong as the German mark.

It would be very laudable for people to hoard silver coins, because valuable things should be hoarded, but not trash. It would be immensely stupid to hoard new pesos at present; only a fool would do this.

The hoarding of money would create greater demand for currency that could be met without devaluation pressures. In fact, people would prefer to buy silver pesos over dollars, and this would in turn increase the dollar supply and drive down the price of the dollar.

Today, those who want to safeguard their capital against devaluations buy dollars, and this puts pressure on Banxico's dollar reserves. With a silver currency, the demand would be for pesos.

He said the silver production sector would obviously benefit, and this would create more jobs for Mexican families, as opposed to what is happening now, because the production of stainless steel coins and mini-bills benefits only the politicians holding stock in companies such as Mexinox, whose San Luis Potosi plant is minting the new pesos.

He added that another pretext argued by Banxico officials in their efforts not to provide the country with a silver currency is "that the currency could be counterfeited."

He said this pretext, which is as absurd as all of the others, is unfounded because this is why there are authorities to detect crimes and to enforce the law.

Consulted on the feasibility of a Monetary Council, Ysita Septien said it is not necessary. All we need to do is give the economy a strong currency. The measures the finance secretary announced are very harsh, albeit necessary, and they show that the government has forgotten about one key part of any economy—namely, its currency. As long as there is no silver currency, the government will continue to require Mexicans to make enormous sacrifices to advance the country, when there could be fewer sacrifices and for a shorter period of time.

Finally, when asked about possible foreign pressure against the minting of a silver currency, Fernando Ysita Septien assured "what foreigners want most is to see Mexico's problems resolved."

Government Announces Army Withdrawal From Posts in Chiapas

PA1403213695 Mexico City NOTIMEX in Spanish 2042 GMT 14 Mar 95

[FBIS Translated Text] Mexico City, 14 Mar (NOTIMEX)—The Government Secretariat has reported the Mexican Government announced today the withdrawal of the Mexican Army "from all" its military posts in the conflict zone in the southeastern state of Chiapas.

The Secretariat stated the measure is aimed at facilitating a dialogue between the government and the Zapatist National Liberation Army [EZLN], which has been operating in Chiapas since 1 January 1994.

The Government Secretariat also reported the arrest warrants issued in February against EZLN leaders have been canceled.

Army Checkpoints Removed To Ease Inhabitants' Return

PA1503021295 Mexico City Radio ACIR Network in Spanish 0000 GMT 15 Mar 95

[Report by Juan Carlos Escobedo in the Government Secretariat; from the "Evening News Panorama" newscast—live relay]

[FBIS Translated Text] Just as we had reported this morning, there is good news today regarding the Chiapas conflict. The Harmony and Peace Commission [Comision de Concordia y Pacificacion] was formally installed and immediately began work while the Government Secretariat announced the withdrawal of troops from communities in the conflict area in order to support the dialogue.

Government Secretary Esteban Moctezuma headed the Harmony Commission's first working meeting with Conai [National Mediation Commission] at the Government Secretariat. Present were representatives from the National Defense Secretariat and from the Attorney General's Office [PGR]. The Harmony Commission is composed of 13 senators and deputies from the PRI

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[Institutional Revolutionary Party], PAN [National Action Party] PRD [Party of the Democratic Revolution], Labor Party, as well as Deputy Roberto Fuentes Dominguez, who represents the Chiapas Congress, and Juan Carlos Gomez Aranda, who represents the Chiapas State Government.

The government secretary informed both commissions that they will work in close coordination with the presidential directives to create an appropriate atmosphere of detente in order to begin dialogue and negotiations. Government Secretariat Spokesman Alfonso Durazo read the document. Present at the meeting was the Defense Secretariat's General Tomas Angeles and Deputy Attorney General Hiram Escudero.

It was noted that to facilitate the return of the displaced inhabitants to their communities and the normalization of activities, checkpoints are hereby being eliminated and military troops will stay away from rural communities.

Let us listen to Alfonso Durazo:

[Begin Durazo recording] The Mexican Army will fulfill its duty of guaranteeing the security of area inhabitants. There will be no military checkpoints in the area of conflict in order to ease the return of inhabitants to their communities—inhabitants who were displaced by the conflict that began in January 1994 as well as the people who recently left their communities. The location and positioning of military troops will be away from the rural communities and villages in the areas of conflict in order to facilitate the inhabitants' return and the normalization of their activities.

There will be limited patrols for the sole purpose of protecting the military troops. Likewise, activities to supply and replace troops by land and by air will be maintained. Patrols will be instructed to guarantee freedom of movement in the area. [end recording]

As we have heard, the Army is not withdrawing from the area of conflict, it will simply leave the villages they have taken control of in Chiapas State to help the displaced people return and normalize their activities.

PRD Welcomes Army Withdrawal From Chiapas Communities

PA1503030495 Mexico City Radio ACIR Network in Spanish 0000 GMT 15 Mar 95

[Report by Juan Carlos Escobedo; from the "Evening News Panorama" newscast]

[FBIS Translated Text] The Party of the Democratic Revolution [PRD] stated a few minutes ago that it welcomes the Government Secretariat announcement on the withdrawal of Mexican Army troops from communities in the Chiapas area of conflict as well as the cancellation of arrest warrants against members of the Zapatist National Liberation Army [EZLN].

PRD Secretary General Mario Saucedo said this announcement provides the elements, much like the physical space, to begin a dialogue among the parties in conflict and to arrive at an agreement that will lead to peace. He also reiterated this move will propitiate a social and national atmosphere that will allow problems afflicting the country to be resolved. Last, the PRD leader said the party will soon send an amnesty draft bill proposal to Congress that will allow all Zapatists under arrest to avail themselves of this law.

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Guatemala

DIDE Chief on Exclusion From U.S. Training

PA1403124495 Guatemala City SIGLO VEINTIUNO in Spanish 12 Mar 95 p 3

[FBIS Translated Text] In view of the U.S. Government announcement excluding Guatemalan military personnel from international military education and training programs, Colonel Morris Eugenio de Leon, chief of the Information and Press Department [DIDE] of the Army, reacted yesterday by expressing regret over the decision.

The official said this exclusion is because Jennifer Harbury has managed to *deceive the good faith of the U.S. people and to confuse the international community, but they will reestablish the assistance when they understand who Efrain Bamaca really was.*

The DIDE chief said 15 Army officers, at the most, go to the United States to receive training, which can be received with the assistance given by South American and other countries. The United States was willing to invest $30 million for these training programs according to State Department figures.

We regret the U.S. Government and people allowing themselves to be deceived by people such as Harbury who have gone on hunger strikes in Guatemala to gain notoriety but have not lost even one pound, the military spokesman said. The decision by the Bill Clinton administration has also affected Guatemalan National Revolutionary Unity [URNG] commanders who had their visas canceled.

Regarding reports that the military is linked to the death of the former president of the Constitutionality Court, De Leon said he is not surprised, because as this report is a Cerigua wire service dispatch, it is clear this is a URNG smear campaign against the Army.

Defense Minister on U.S. Decision

PA1403125595 Guatemala City Teleonce Television in Spanish 1900 GMT 13 Mar 95

[From the "Telepress" newscast]

[FBIS Translated Text] Defense Minister Brigadier General Mario Rene Enriquez Morales today said it was a sovereign U.S. Government decision that led to the suspension of Guatemalan military personnel's participation in training programs periodically carried out in the United States. The decision was announced on Friday [10 March] by the U.S. State Department, arguing that not enough progress has been made in various cases of human rights violations in Guatemala.

[Begin recording] [Enriquez] The measure is a sovereign decision by the United States; in other words, it can decide what it does with its aid. Obviously, we respect this decision, although we must admit that it does affect us in some ways, because this assistance provided education, strictly for training purposes.

We have opened doors in South America, Europe, and other places to enable our officers to learn about the way other societies live and behave—obviously, societies that are more advanced than ours—and, in turn, enable them to fulfill their mission wherever they are. The knowledge they acquire abroad has had great results. Therefore, the suspension of this aid represents a lot for us, but we respect it. What can we do? It is aid, and they have suspended it.

[Unidentified correspondent] They argue that no significant progress has been made in certain cases of human rights violations involving U.S. citizens. The human rights issue [words indistinct].

[Enriquez] Well, in fact, these are various cases. When you look at the press, you probably see the cases mentioned there. There are cases, such as Devine's case, on which we have worked a great deal. Six people have been arrested in connection with this case, but they claim more people should have been arrested. They also mention Myrna Mack's case. You know [words indistinct] 30 or 35 years in prison, but they believe there are others and that they must be sought. No one is pushing for freedom and justice in Guatemala just so these ideals can be ignored.

I think the most prominent case right now is that of Jennifer Harbury, the alleged wife of Bamaca. This is the case that has gained the most notoriety in the United States. I believe she has been effective—in fact, there is no doubt about this—in the ideological handling of this case. Obviously, I think the good faith of many people in the United States is being manipulated, because I do not believe all of the Guatemalan people should suffer the consequences just because, as she claims, one person was taken by the Guatemalan Army and, according to her, he is still alive.

Nevertheless, Guatemala, you, and national and international public opinion can see the efforts the government has made in conjunction with national and even international organizations to confirm the truth of these charges against the Guatemalan Army. Three writs of habeas corpus have been filed at the national level. The Army's doors have been opened in every military command. Minugua [UN Mission for Guatemala] has brought his photograph and looked for him everywhere, and he is not there. What can the government do? What will it do? That is what I ask.

Nevertheless, Mrs. Harbury has a lot influence in some sectors—let us say official sectors in the United States—and this influence has helped her exert the pressure she wanted. This is unfortunate, because this pressure has been detrimental to all Guatemalans.

[Correspondent] General, [words indistinct]

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[Enriquez] Well, this is her third hunger strike—one in front of the old Polytechnic School on Reforma Avenue; another here in Central Park; and now one over there. She has the right to continue stating her views, and I believe she has a lot of energy and fortitude. I hope that a peace agreement is signed, and, with the achievement of peace, everything is clarified to prevent any deceitful handling of these cases. [end recording]

Nicaragua

UDC Proposes Accord To Make Country Governable

PA1003205295 Managua BARRICADA in Spanish 8 Mar 95 pp 1, 2

[Report by Carlos Garcia Castillo]

[FBIS Translated Text] The top leaders of the National Christian Democratic Union, UDC, unveiled yesterday—as BARRICADA had announced—a proposal for governability (gobernabilidad) that recognizes the urgent need for a national accord in which the Legislative and Executive Branches, as well as all of the country's influential sectors, participate.

According to the statement Deputy Azucena Ferrey read yesterday, the UDC feels it is indispensable that the Presidency and the National Assembly negotiate a governability accord for the rest of this constitutional period.

The document indirectly recognizes two demands as valid: the need for a broad national accord and a national constituent assembly, although it postpones this for 1996.

On the first aspect, the document states that the dialogue must be held primarily between the Executive and Legislative Branches, but it immediately adds that "... the National Assembly also has the obligation to build a consensus around the implementation of ammendments on matters pertaining the Judicial Branch, the electoral authority, local governments, and other entities mentioned in the amendments."

On the installation of a constituent assembly, the proposal states that "... the 1996 elections may also include, if necessary, a mandate to the National Asssembly that is elected at that time to have the authority to draft a new constitution, in addition to its regular legislative functions." The UDC feels there should be a consensus on the implementation of the amendments, as well as on topics such as the state ministries' charter, fiscal matters, economic and international agreements, election of magistrates, land reform, and, even, ownership of property. The UDC, however, excludes the topics of abstention from the negotiations. [sentence as published]

According to local analysts, the governability accord the UDC is proposing is nothing more than an indirect hint to increase its participation in the government of President Violeta Barrios de Chamorro. The following government officials belong to the UDC: The Inifom's [Nicaraguan Institute for Municipal Development] Agustin Jarquin Araya; Carlos Gaburdi, from the INEC [Nigaraguan Institute of Statistics and Census] directorate; and Cementera [Cement Enterprise] President Alfredo Montealegre.

Other UDC members are Adan Fletes, consul in Los Angeles, California; Ambassador to Guatemala Mauricio Diaz; Chester Guevara, director of the Goverment Ministry's Municipal Affairs Office; INEC Administrative Director Carlos Guevara; and Adolfo Pastran from Radio Nicaragua. Roberto Ferrey, brother of Deputy Azucena Ferrey, served until last month as the Nicaraguan ambassador to Chile.

Finance Minister Emilio Pereira Alegria, in turn, said the Chamorro government had made a proposal similar to the UDC's over one year ago. The two branches reached agreement on several of those proposals, such as the fiscal laws, a few months ago, but the Legislative Branch did not abide by them, he added. Instead of making proposals, Pereira stated, National Assembly President Luis Humberto Guzman should set the example by complying the procedure for drafting laws. This is the first thing he ought to respect in order to create a climate of governability in the country, Pereira noted.

Liberals, Conservatives, PRN Seek Electoral Alliance

PA1503043295 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 14 Mar 95

[Report by Jairo Antonio Mendez; from the "National Newscast"]

[FBIS Translated Text] Liberals, conservatives, and the National Resistance Party [PRN] are beginning to seek an electoral alliance unbeknownst to their rank and file.

Under the pretext of seeking a viable solution to the country's situation, political leaders Arnoldo Aleman, Liberal Constitutionalist Party [PLC] president, Adolfo Calero, National Conservative Party [PNC] president, and Fabio Gadeo Montilla, PRN president met at a Managua restaurant on 13 March. They could not hide the fact, however, that the true objective of the meeting was to lay the foundations for a political alliance among Liberals, Conservatives, and the PRN with a view to the 1996 elections. According to these politicians, their parties' conditions are ideal to strike an alliance:

[Begin recording] [Aleman] I believe that very few things separate us. The two of us have democratic spirits and thoughts, as is the case with our brothers from the PRN. This is why I do not foresee any difficulties. We are rather alike, and there is no difference among us.

[Calero] There are no differences among Liberals, Conservatives, and the PRN.

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[Gadeo] A PLC-PNC-PRN alliance would be a formula difficult to surpass in Nicaragua. [end recording]

On the other side of the spectrum, the members of these parties are talking about how illogical it is to strike alliances among leaders without taking into account the ranks and files.

Meanwhile, some believe it is inappropriate to reconcile with the neighbors without solving our domestic problems first:

[Begin recording] [PNC leader Fernando Aguero Rocha] This alliance is not so simple. We cannot strike it only because elements or, let us say, the top echelons of the party's leadership agreed to it. We need to consult with the party at a national convention to determine whether we proceed.

[PRN member Luis Lopez] We said that the day we would talk about an alliance, it would have to be discussed with all the party's spheres at the national level. It is not a matter for the president.... [pauses] First of all, he is not the president according to the statutes, as I said before. Second, even if he were, he could not strike an alliance, because it is something we do not want for this party.

[Former PNC President Roger Mendieta Alfaro] You cannot strike an alliance when you have no allies internally and when you lack the true strength to be somebody's ally. [end recording]

according to some analysts, Aleman's objective in the 13 March meeting is to force Dr. Virgilio Godoy to join his Liberal alliance.

Problems Remain in Armed Forces

95CA0161A Managua LA PRENSA in Spanish 21 Feb 95 p 8

[Editorial: "The Legacy of General Ortega"]

[FBIS Translated Text] The assumption of the Army command by a new chief (without an intervening military revolt, civil war, or institutional conflict) is, unquestionably, progress in the course of the transition. Nevertheless, there has been a great lag on the path toward democratizing our armed institution. Much of this failure is due to the lateness of General Humberto Ortega's retirement: a four-year delay. His removal was supposed to have occurred on 25 April 1990, when Mrs. Violeta de Chamorro assumed power.

On the other hand, there is much to be amended in the brand new Military Code inherited by General Joaquin Cuadra Lacayo. It is a text that still retains traces of the sheerest militarism, for example: the lack of a civilian's presence as defense minister. Furthermore, the appointment and discretionary replacement of the military chief should be incumbent on the president of the Republic, rather than on a deliberative council of officials.

There must also be an end to the Army's financial autonomy. At present, the civilian government has no authority to control the economic transactions being carried out by the Army, buying and selling military equipment independently. Nor are the assets of the Military Social Institute known, or whether the Army still retains properties of private individuals that were illegally appropriated during the Sandinist regime. Nor does the Army give an account of the use made of its budget, which it receives in an overall form, without a breakdown of any items.

There is an urgent need for the Officers and Troops Training School to be made open to civilian instructors with a proven democratic spirit and professional capacity. An Institute of Human Rights should be added there, so that this may be a required subject in the curriculum offered to those military being trained. Furthermore, there is still a large amount to be deducted from the military budget, and a decrease of the numbers of military, to bring us close to a figure that is in keeping with Nicaragua's potential and requirements.

Nor can Decree 600, on military crimes, and Decree 591, on the organization of the Military Tribunal, be left unrepealed. The new law on military crimes and organization of the Military Tribunal, and on the military penal procedure, is not making good progress either. It is also well known that the Army is still resisting the recommendations of the Tripartite Commission, which has accused some of the military of human rights violations. Equally absurd is the jurisdiction in judicial matters exercised by the Army over the police, since they are entities with completely different purposes.

It is likewise necessary to establish a National Security Council, such as that created in all countries in which the important decisions are made by entities headed by civilians. The fact is that, in some Central American countries, the Armies in the area are acting as if the Cold War were still ongoing: a period when they acquired the privilege of being left operating as feudal-like enclaves beside the Republic. This is the club that the Army has joined: an outdated and dangerous situation.

All things considered, the legacy received by General Cuadra Lacayo from his predecessor is, without doubt, that of an incomplete and irregular undertaking. It must be corrected and completed, if the Army wants to make a valuable contribution, ranking Nicaragua among the countries of America that are leaders in democracy and antimilitarism, rather than being an annoying burden, preventing the country's emergence from underdevelopment and the mediocrity of poverty.

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Panama

Assembly Plans To Summon U.S. Charge on DEA Actions

PA1403145595 Panama City EL PANAMA AMERICA in Spanish 14 Mar 95 p E-16

[Report by Carlos Vargas]

[FBIS Translated Excerpt] The Drugs and Foreign Commissions of the Legislative Assembly will summon Attorney General Jose Antonio Sossa and U.S. Embassy Charge d'Affairs Oliver Garza to answer to charges of violating Panamanian laws by the U.S. DEA.

Legislator Alberto Aleman Boyd, president of the assembly's Drug Commission, has disclosed that the assembly is attempting to agree upon a date in the not-too-distant future for such a meeting, which would also include Judicial Technical Police Director Gabriel Castro.

Aleman Boyd explained the purpose of the summons is to clarify several charges against DEA agents in Panama—charges that claim their actions are violating our laws and national sovereignty.

However, two Supreme Court decisions permit DEA undercover agents or agents from other foreign investigation agencies to work in the country in operations leading to the arrest of drug traffickers. [passage omitted]

Administrator on Political Preparation To Manage Canal

PA1503045095 Panama City Circuito RPC Television in Spanish 2300 GMT 14 Mar 95

[Report by Luis Polo Roa; from the "RPC Television News" newscast]

[FBIS Translated Text] Panama Canal Administrator Gilberto Guardia has warned that we Panamanians must prepare ourselves politically more than preparing ourselves technically to manage the Canal. Administrator Guardia is optimistic, because Panamanians, in his opinion, are already technically prepared to manage this waterway. As proof, 90 percent of the staff managing the Canal are Panamanians. He has said, however, they will have to jump in order to reach the level of the political requirements needed to manage this major waterway:

[Begin Guardia recording] It is not a problem by which we Panamanians feel belittled. We Panamanians definitely have the capability to manage the Canal, but this problem is a political one. The idea is to be able to separate this operation from the types of vices and pressure to which other government agencies are subjected. [end recording]

The statements the Panama Canal administrator has made were made during the NutreHogar national assembly, which he attended as a special guest and during which he was handed a recognition for his work for this organization.

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Argentina

CEA To Raise 1 Billion Peso 'Argentine Bond'

PY1403221195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1047 GMT 14 Mar 95

[FBIS Translated Text] Buenos Aires, 14 Mar (NA)—The influential Argentine Business Council (CEA) has announced to President Carlos Menem that it has decided to subscribe to a so-called "Argentine Bond" ["Bono Argentino"] totaling 1 billion pesos, with the goal of "contributing with deeds and not words" to the restoration of confidence in the government's economic program.

This announcement was made by entrepreneur Eduardo Casabal from the Perez Companc group, after a meeting among around 20 entrepreneurs, President Menem, and Economy Minister Domingo Cavallo in the Southern Hall of Government House.

Casabal said there are plans to subscribe to the total amount of the bonds sometime this week. He announced: "Thus far, we have confirmed over 50 percent of this amount."

He pointed out: "We understand that it is necessary, on the part of Argentine entrepreneurs, to present a sign of confidence in this plan, beyond mere words or speeches, that involves specific deeds."

"At this moment most enterprises are facing liquidity problems, and it actually represents a significant hardship, but we understand that this is absolutely necessary as a sign of confidence in this transformation process."

Casabal indicated that the subscription to this bond, involving both enterprises and people who would be willing to subscribe, "will be complementary to the government's agreement with the IMF and with any other financing program from both private and governmental international banks."

Casabal said that the goal of these funds "involves allowing the government to guarantee compliance with all the commitments entered into by the state, fiscal solvency, the restoration of confidence, and the availability of loans from the financial system."

The bonds will have a two-year redemption period and a 3 percent Libor [London Interbank Offered Rate] interest rate. They will be redeemed as of July 1996.

Among the entrepreneurs participating in this initiative are Santiago Soldati (Comercial del Plata), Amalia Lacroze de Fortabat (Loma Negra) [Cement Plant, Inc.], Carlos Masjoan (Telecom), Luis Bustamante (Telefonica), Norberto Morita (Bemberg), Enrique Ruete Aguirre (Roberts Bank), Jorge Blanco Villegas (UIA) [Argentine Industrial Union], Ricardo Gruneisen (Astra), Luis Pagani (Arcor), Francisco de Narvaez (Casa Tia), Julio Macchi (Stock Exchange), Juan Munro (Massalin), Salvador Cordo (Bunge y Born), Roberto Rocca (Techint), and Eduardo Escasany (Bank of Galicia).

Different Views on Exchange Rate

95SM0239A (Internet) Argentina Gopher in Spanish 3 Mar 95

[Commentary by Carlos Abalo: "Unquestionable Exchange Rate Pressure"; from EL CRONISTA COMERCIAL 3 Mar 95]

[FBIS Translated Text] The downward pressure on stocks continued yesterday; this was also the case in the main world markets. Therefore, the asset depreciation that marks the current international financial crisis remains intense. Against this backdrop we need to look at what is happening on the local market, where the call rate rose to 50 percent a year and funds were withdrawn from the banks, albeit not in major amounts. Nonetheless, there is clearly an undisguised climate of uneasiness that has not yet been altered, though we must also not forget that it is manifesting itself amid the bursting of the speculative bubble. The high call rate can also be explained by the Central Bank's stiff reserve requirement and the virtual drying up of the market.

We must not, however, rule out the possibility that the spontaneous movement of the market has been driven by a segment of international banking; this is also what some Economy Ministry officials are assuming. Some American banks apparently feel that they should open up their umbrellas before it starts raining, and that Argentina ought to devalue its currency in order to leave nothing to chance and increase the inflow of foreign exchange at a time when capital inflows are shrinking. This is not the only pressure being applied, as other financial sectors do not think that this would be the best policy for Argentina. Domingo Cavallo and his team obviously do not think it is either, as they are prepared to maintain the current exchange rate and to fully implement the most recent adjustment, which they regard as sufficient to put budgetary accounts on the right track in spite of the destabilizing jolts. The reasoning of the sectors that favor devaluation is that the government will not have enough of a revenue base to sustain the current reimbursements, which at some point will have to be withdrawn. This is why it would be appropriate, once again according to this line of reasoning, to devalue early. Those who disagree with this position know that in Argentina a devaluation solves nothing, because the domestic prices in a dollarized economy adjust almost immediately to the dollar's level by rising, and the devaluation winds up being useless because we return to the same starting point. The banks that are putting pressure on the exchange rate through interest rates realize, in contrast, that with a wave of sell-offs of national private and public assets, a devaluation would give them greater purchasing power because even if prices rise, assets will depreciate in dollars.

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More Bank Mergers Discussed

95SM0239B (Internet) Argentina Gopher in Spanish 3 Mar 95

[Commentary by Pablo Wende: "More Mergers of Cooperative Banks"; from EL CRONISTA COMERCIAL 3 Mar 95]

[FBIS Translated Text] There has been no halt to the bank mergers, and the cooperatives remain the most active in this regard. The Banco Mayo will today announce the acquisition of Provencor in Cordoba, while the Union Comercial e Industrial (BUCI) will take over Multicredito of Mendoza. The Mendoza bank itself had absorbed Credito Comercial at the beginning of the week. A distinguishing feature of the two mergers is that they involve cooperative banks that have absorbed corporations. The first mergers had taken place between cooperatives or directly between corporations (as with Del Suquia's takeover of Monserrat). Now, however, cross mergers are happening as well. Moreover, as EL CRONISTA had reported, the Central Bank has approved the creation of the Banco Bisel S.A., which will consist of the Independencia, De los Arroyos, Coinag, Comunidades, Nucleo, and San Jose banks, all of which have a strong presence in Santa Fe. For the time being, the Carlos Pellegrini and VAF banks remain outside the new association, but the assumption is that they will wind up joining it in the near future. In the case of the BUCI of Mendoza, after taking over two bank corporations within a week, it now has net assets of more than 88 million pesos and deposits of 469 million. It has thus moved up to number 21 among all banks, including provincial and national public banks, according to data furnished by the Central Bank in October 1994. The case of Bisel S.A. is even more striking, as the integration of the six cooperatives has given rise to an institution with net assets of 122 million pesos, putting it in eighth place behind Roberts and a rung above Del Suquia.

The creation of the Bisel Bank is also unprecedented in that several cooperatives have merged to form a new bank, whose legal status will also be different from that of its components. This is not the first time that cooperative institutions have joined together to establish a corporation. The best examples are the credit card company Carta Franca and, more recently, the Banco Mayorista del Plata, the second-tier institution that comprises 20 financial institutions from the cooperative sector. The Banco Mayo, for its part, has undertaken two mergers since the process of concentration in the financial system began. Having taken over the Cooperative of La Plata and Provencor, it now has net assets of 89 million pesos and deposits of over 530 million, making it the 20th largest bank in terms of deposits. The fact is that the people in the bank that Ruben Beraja heads have two reasons to be pleased, because around mid-year it sought to boost its share in the capital market. It has achieved a result that today they regard as more than acceptable. In fact, its money market mutual fund posted a 10.22 percent yield from May (when it was started) to December 1994. This is doubly significant if we consider the losses that most other financial assets suffered during this period.

Commentary Views Stability

95SM0238B (Internet) Argentina Gopher in Spanish 6 Mar 95

[Commentary by Carlos Abalo: "Stability Is Not Everything"; from EL CRONISTA COMERCIAL 6 Mar 95]

[FBIS Translated Text] The adjustment within the adjustment, plus an additional corrective program, have just shown that convertibility stabilized the Argentine currency in the short run, but that in the globalized international economy this is not everything, because the production machine is the decisive element. The characteristics of the latter determine whether a country is or is not part of the First World, and whether a currency is strong or not. And of course Argentina is in the midst of major change, but it is not an advanced country nor does it have a strong currency. Convertibility has been based heretofore on the fact that our reserves would support the monetary base, that the budget would be balanced, and that prices would remain stable. This was valid for the phase of capital inflows, which enabled the country to sustain an unfavorable trade balance. The official position was that the flood of imports reflected capitalization. And sure enough, the rate of investment rose, but such investment is linked only to some imports. The liberalization policy should have been more concerned about and more forbearing toward industries undergoing transformation (among them the textile industry), which have had to endure at times unfair competition, even though the high exchange rate was what really spurred reconversion.

The crisis was not brought on by the existing budget deficit or the "tequila effect" but rather by the international financial crisis, which has just begun. High U.S. interest rates have altered the flow of capital, which is now leaving the emerging markets and being deposited at high rates in safe markets shielded by an already competitive production machine. Thus, convertibility, which was devised to support the monetary base, had to cope with capital flight. A balanced budget is essential to instill confidence, and this is why the administration is trying to bring it back into balance at all costs. But even if the budget had been balanced, when there is capital flight, the demand for dollars affects reserves, unless the country can obtain them on its own. The fact is that no thought was given to the possibility of an international financial crisis brought on by the expansion of credit and the overvaluation of bonds that had to depreciate; thus, there was confidence that the expansionary trend could continue and, in particular, dovetail with the demand for capital in the center. The corrective program, which has not completely satisfied the markets, and the subsequent announcements (the accord with the Fund on Argentina's fiscal targets, the enhanced supervision of national

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accounts, and the use of the expanded facilities credit) may bring greater calm, but they have also showed that the global economy is not homogeneous, that the peso is not a strong currency, and that expansion in the center can absorb capital from the emerging markets. In a word, the world is not yet that different, and our accomplishments will be secure only when they translate into competitiveness, export capacity, foreign-exchange inflows, and a strong production machine.

Continuing Confidence Crisis Viewed

95SM0238C (Internet) Argentina Gopher in Spanish 7 Mar 95

[Commentary by Daniel Naszewski: "Shock Treatment To Restore Confidence Unable To Maintain Reserves"; from EL CRONISTA COMERCIAL 7 March 95]

[FBIS Translated Text] The economic authorities expected a better response from the markets yesterday in the wake of the strong offensive that Domingo Cavallo launched over the weekend to restore confidence via shock treatment. The response of the financial district was almost a "not even close," as the stock market fell and some government bonds regained some of their losses during last week's feverish trading. The minister's countermessage was something to the effect that "we want to see whether words will give way to actions." This stands to reason in this hypersensitive context. Meanwhile, the data on international reserves confirmed the expected fall during last week's hysteria: during the first two days of March the gold and foreign-exchange holdings of the BCRA [Central Bank of the Argentine Republic] declined by $660 million. Economy Ministry officials argued in response that this was a very tough Monday overseas, which did not help improve the reception that was given to the offensive. They say that the dollar's steep decline throughout the world is unquestionably a development that worried all markets. With the dollar falling to all-time lows, uncertainty was the order of the day, although paradoxically the drop in the U.S. currency has indirectly improved the peso's competitive position outside the dollar area. It is as if Argentina had devalued the peso "free of charge" during these weeks of a falling dollar.

In Mexico meanwhile, the currency again fell to disastrous levels: from about 3.5 to the dollar on 19 December to almost twice that 75 days later. As a result, the stock markets in Brazil and Chile also declined sharply, which fed the downtrend in the region. And on top of all this came Brazil's move to broaden the exchange-rate band. Analysts saw this as a micro-devaluation, and it had an adverse impact on Argentina, whose economy is closely linked to Brazil's as a result of the major expansion of bilateral trade over the past months. Yesterday, Argentine businessmen were afraid that if Brazil began crawling-peg devaluations, the actual exchange rate of the peso and the real would deteriorate, thus halting the strong growth in exports to our neighbor. Economy Ministry officials, meanwhile, do not think that Fernando Cardoso wants to adjust the real-dollar rate away from one to one after 2 May. They feel that what he wants to do is some fine-tuning, to lift the exchange-rate floor from its level of recent days, thus improving the actual rate without affecting prices since the economy discounted the one-to-one rate months ago. Cavallo yesterday tried shock treatment to restore confidence. The pre-campaign syndrome, the horrendous international context, and the need for actions rather than words have dampened, but not yet reversed, last week's downtrend. He chose a bad day, but the battle continues.

Bolivia

Ministers: U.S. Impositions Not To Be Accepted

PY1403171295 La Paz PRESENCIA in Spanish 9 Mar 95 p P1

[FBIS Translated Text] The administration of President Gonzalo Sanchez de Lozada will not accept international commitments that might affect social peace, or coca eradication goals that might surpass real possibilities, although it has begun to negotiate more flexible agreements with U.S. officials. Three ministers of state yesterday commented on a document which reveals the three conditions imposed by the United States to continue supporting Bolivia.

In a joint news conference called to explain the U.S. demands which covered the front pages of the morning newspapers, Ministers Antonio Aranibar [Foreign Affairs], Carlos Sanchez Berzain [Government], and Guillermo Justiniano [Presidency], yesterday said the government does not have a firm position on the U.S. demands and has decided to consult the country at all levels—beginning with Congress—on the antidrug fight and the new U.S. demands. Minister Sanchez Berzain said the possibility of negotiating under better conditions with the United States depends on the degree of consensus achieved by the government within the framework of its initiative to seek national agreements.

The foreign minister said the starting point for the government is that, regardless of agreements with the United States, the eradication of coca is based on a peaceful struggle.

The United States has given the Bolivian Government until 30 June 1995 to eradicate 1,750 hectares of surplus coca crops, to sign a new extradition treaty, and to sign a short and long term plan for the eradication of coca crops from the Chapare region.

Aranibar said the proposal Ambassador Curtis Kamman gave last week to the president is a working document on which the Bolivian Government has no official position. The government is consulting with U.S. officials to "determine" the terms and scope of the demands and see "to what point is it negotiable."

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Government Minister Sanchez Berzain on 3 March began meeting with U.S. Embassy officials to discuss future eradication programs, although he said more details were requested at the meetings. He admitted that the government has different viewpoints on the demands.

The government has decided to take the issue to a new debate at Congress. The foreign minister said the three ministers will go to the two legislative chambers next week to explain the proposals of the embassy and to begin a national debate which will lead to a policy of consensus.

We must recall that at the end of last year Congress approved a resolution recommending the creation of a national commission to seek a new consensus on the antidrug fight.

Daily Criticizes U.S. Certification Decision

PY1403181595 La Paz PRESENCIA in Spanish 9 Mar 95 p 3

[Editorial: Bolivia Against the Wall]

[FBIS Translated Text] Through news reports that were later confirmed by the Foreign Ministry, Bolivians were startled yesterday to hear that the U.S. Government has imposed a strict deadline on Bolivia; it has until 30 June to fulfill three conditions regarding the coca-cocaine issue. If we fail, we are threatened that the "certification" that was recently granted for the drug enforcement program will be nullified.

The clock is already ticking. As of today there are 114 days for the government to fulfill these demands which can be summarized as the eradication of 1,750 hectares of coca in the Chapare region, the signing of "a mutually convenient extradition treaty" and for "the development of a full and mutually acceptable plan by Bolivia to eradicate illegal coca farms with short, medium and long term objectives." Obviously, all these are extremely complex tasks because of their economic, social and political implications.

First, we must criticize the government's attitude for not revealing this kind of "annex" to the U.S. antidrug certification. We have always believed the people have the right to know the truth—no matter how bitter—about national affairs, which is how the narcotrafficking issue and everything pertaining to the coca-cocaine issue should be classified. It is foolish—to say the least—to show only one side of the coin, in the search for national dialogue.

This is one aspect of the issue. The other has to do with conditions and whether Bolivia is able to fulfill them within the established deadline. Undoubtedly, the most difficult and conflictive issue will be the eradication of 1,750 hectares of coca in the Chapare region. The radical position adopted by Chapare coca producers, who have categorically rejected the implementation of any voluntary coca eradication program, is well-known. Moreover, they have criticized the government's intention to implement a forceful coca eradication program in the short term by warning that they will struggle to avoid it. The government, in turn, is determined to establish dialogue channels. It has until now continued to reject any use of force, but without renouncing to the implementation of the controversial Law No. 1008, which is the basis of another drug enforcement policy.

The signing of a new extradition treaty does not seem to be a difficult condition to fulfill, particularly because it is of the exclusive competence of the executive branch. Lengthy delays on this topic are mainly due to disagreements over Bolivian sovereignty issues or to the reciprocity regarding the handing over of those liable for extradition. All these issues can be negotiated and agreed among the parties.

The third condition: A complete plan for the eradication of illegal coca farms with short, medium, and long-term objectives will be difficult to fulfill. To expect that such an important policy can be drafted in 100 days is both unrealistic and inadvisable, because of eventual mistakes and irreversible hastiness. To assume commitments regarding coca eradication with rigid timetables without a previous national consensus could expose us to periodic certifications that can put Bolivia against the wall, as it is usually the case.

It is time to negotiate with the United States over this delicate issue without any impositions.

Brazil

Sivam Contract To Be Signed Only After Congressional Probe

PY1403223695 Rio de Janeiro O GLOBO in Portuguese 14 Mar 95 p 5

[Report by Ascanio Seleme and Sandra Brasil]

[FBIS Translated Text] Brasilia—The Strategic Affairs Secretariat (SAE) has decided that it will not sign the contract for the implementation of the Amazon Region Surveillance System (Sivam) until Congress has concluded an investigation into the process for awarding the contract to the U.S. company Raytheon. The negotiations that resulted in the selection of Raytheon for the implementation of Sivam, which will cost $1.4 billion to the Brazilian Treasury coffers, have come under heavy attack because of alleged irregularities. Brigadier Arquimedes de Castro Faria Filho, the SAE executive under secretary, yesterday said that the government intends to get to the bottom of the issue this week through the testimonies of SAE Secretary Ronaldo Sardenberg and Aeronautics Minister Mauro Jose Gandra before the Senate Foreign Affairs Committee and the Chamber of Deputies National Defense Committee.

Brig. Castro Faria Filho said: No date has been set, but we expect to sign the contract in March. We would not,

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however, be impolite to the point of signing the contract without first having briefed the Senate and the Chamber of Deputies.

Senator Antonio Carlos Magalhaes (PFL-BA) [Liberal Front Party-Bahia], chairman of the Senate Foreign Relations Committee, yesterday met in his office with Minister Gandra. Gandra told Magalhaes that he is willing to testify on 16 March. Gandra and Sardenberg are scheduled to testify before the National Defense committee at the Chamber of Deputies on 15 March.

The Sivam service timetable had set 15 March for the signing of the contract by SAE, the Aeronautics Ministry, and Raytheon. Castro Faria Filho said that while he had not been aware of that date, the deadline could not have been met anyway, because some technical clauses of the contract have yet to be finalized. Among other obscure points of the contract, SAE experts said, is the use of the information obtained through the surveillance system. Because anyone controlling the Sivam system would have access to systematic analyses of the Brazilian subsoil, the Brazilian Government wants to make it quite clear that the data obtained is intended for use only by Brazil.

Deputy Arlindo Chinaglia (PT-SP) [Workers Party-Sao Paulo] yesterday filed with Judge Marcos Villaca, head of the National Accounting Office, a petition for an audit of the roles of the SAE and the Aeronautics Ministry in awarding the contract. The petition was referred to Judge Paulo Affonso Martins de Oliviera, who was the rapporteur for the SAE accounts in 1994.

Magazine Publishes Charges of Bribery in Sivam Bidding

PY1503021195 Sao Paulo AGENCIA ESTADO in Portuguese 2318 GMT 14 Mar 95

[FBIS Translated Excerpt] Brasilia, 14 Mar (AE)—Aeronautics Minister Mauro Gandra and Strategic Affairs Secretary Ronaldo Sardenberg are scheduled to testify tomorrow (15 March) about the Amazon Region Surveillance System (Sivam) before the National Defense Committee of the Chamber of Deputies. [passage omitted]

This afternoon presidential spokesman Sergio Amaral made it clear that the Sivam project is now in the final stage of negotiations, and that a contract will be signed upon the conclusion of these negotiations. Amaral said that no substantiated accusation of irregularities has been made, "simply allegations without any kind of proof." Amaral also noted that no request has been made to revise the award.

The Senate Foreign Relations Committee has not yet set a date for the aeronautics minister and the SAE secretary to testify. The date will be set after receipt by the Senate of the confidential documents related to the award, as was agreed upon last week.

In today's plenary session, Senator Gilberto Miranda (PMDB-AM) [Brazilian Democratic Movement Party-Amapa] said that President Fernando Henrique Cardoso had assured him that the Sivam project is "serious and necessary" and that the government has no reason to erect hurdles for the implementation of the system. Miranda and Cardoso met on 13 March. Miranda also welcomed the explanations given by the government leader in the Senate, Elcio Alvares (PMDB-Espirito Santo), about a charge published by the magazine VEJA this week to the effect that a minister had reported a $7 million bribe taken by a senator to expedite the Sivam project. Alvares said the government has no information that would indicate the involvement of any senator in the operation.

Senator Antonio Carlos Magalhaes noted, however, that Alvares' explanations will not reach VEJA readers, and that therefore the Senate remains an aggrieved party. Magalhaes said the government should publish its denial in the magazine VEJA itself, so that there can no longer remain any doubt about the behavior of the senators.

Minister Promises To Clear Up 'Suspicions'

PY1403235295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Mar 95 p A6

[FBIS Translated Text] Sao Jose dos Campos—Aeronautics Minister Brigadier Mauro Jose Miranda Gandra promised to clarify on 16 March before the National Defense Council all the doubts about the Amazon Region Surveillance System (Sivam). Gandra yesterday gave a school year opening class at the Aeronautical Technology Institute (ITA).

During the class the minister defended the usefulness of the radar system that will be installed in the Amazon region, and rejected the suspicions regarding the operation. Gandra said he knows nothing about interference by the CIA in the Sivam bidding. According to THE NEW YORK TIMES, the CIA had warned the U.S. Government that the French company Thomson had paid bribes to Brazilian Government officials involved in the bid. "The charges are vague, as they are the result of an interview granted to an international newspaper by I don't know who," Minister Gandra said.

Cardoso To Examine Reasons for Apparent 'Division' in PSDB

PY1503030695 Rio de Janeiro O GLOBO in Portuguese 14 Mar 95 p 2

[Article by Tereza Cruvinel from the "Political Outlook" column: "King and Subjects"]

[FBIS Translated Text] Brasilia—If it is true that the PSDB [Brazilian Social Democracy Party] is annoyed with President Fernando Henrique Cardoso, the president himself is far more annoyed with his party. He did not like it one little bit to learn through the newspapers on 11 March that the committee that is to analyze the

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easing of the telecommunications monopoly had not been installed on the previous day due to the absence of PSDB deputies. This happened the day after the Senate approved the regulation that limits interest rates to 12 percent. The president had another reason to be irritated yesterday: After spending 12 March in Alvorada Palace waiting in vain for [PSDB President] Pimenta da Veiga, Cardoso read an interview with him in which he charged the president with ignoring the PSDB crisis.

Regarding the absence of deputies, the president would have liked to have heard the news from the PSDB leader in the lower house, Deputy Jose Anibal, with whom he spoke several times on 10 March. As for the interest rate bill, Cardoso was curious about the reasons that led the government deputy leader in the Senate, Geraldo Mello (RN) [Rio Grande do Norte], to be disloyal to his party and vote in favor of the bill. Other PSDB members did the same.

The government seems to have begun to take seriously the atmosphere of division within its political base. The president yesterday met with the leaders of the allied parties and agreed to hold a meeting with the Political Council to discuss the problems in relations between the government and Congress. Although presidential advisers believe that the delay in appointing second-rank officials has a lot to do with the annoyance felt by the political parties, they also believe that the PSDB has contributed a lot to increasing confusion in the political field. Tomorrow President Cardoso will receive for dinner in Alvorada Palace a group of important senators. The only PSDB member that had been invited, until yesterday, was Sergio Machado. The group includes Antonio Carlos Magalhaes and Josaphat Marinho from the PFL [Liberal Front Party], Jose Sarney, Gilberto Miranda, and Roberto Requiao from the PMDB [Brazilian Democratic Movement Party], and the government leader in the Senate, Elcio Alvares.

Orestes Quercia Strengthening Position Within PMDB

PY1503031195 Rio de Janeiro O GLOBO in Portuguese 14 Mar 95 p 4

[Article by Monica Gugliano]

[FBIS Translated Text] Brasilia—Although they do not admit, right now, that is possible to review the decision to support the government, the PMDB [Brazilian Democratic Movement Party] leaders in the lower house, Deputy Michel Temer (Sao Paulo), and in the Senate, Senator Jader Barbalho, acknowledge that the triumph of former Governor Orestes Quercia in the elections, renewing the PMDB executive boards in 649 PMDB municipalities and regions in Sao Paulo, will strengthen the position of those PMDB members who are unhappy with the government. The PMDB, which is the largest party bloc in Congress, has so far acted as an opposition party, helping to approve bills against the government's will.

"We must adopt a definite position, because we cannot gather together at every voting session to tell our congressmen how they must vote. Many members do not want to support the government, and in moments like this one the distress increases," Temer said.

The greatest reason for PMDB complaints is the lack of a political coordinator with whom to discuss government decisions and the demands of the PMDB bloc. Senator Jader Barbalho, whose position triumphed during the PMDB political party meeting at which it was decided to support the government, said that it has been difficult to work without such a political coordinator.

This position is defended by another PMDB congressman, who preferred not to be identified:

"If Planalto Palace insists on ignoring the politicians and not appointing a political coordinator, it will be difficult to restrain the PMDB members' annoyance," he said.

The PMDB members believe that the situation will become more complicated with the triumph of Quercia in the internal party elections in Sao Paulo. This triumph represents in practice the return of Quercia to the national political scene, from which he has been estranged since his defeat in the presidential elections. Quercia wants to reverse the situation of the PMDB with relation to the Fernando Henrique Cardoso administration.

Within the objective of resuming control of the national PMDB executive board, Quercia has already begun to weaken his opponents within the party in Sao Paulo. Quercia is particularly interested in fighting those who support the government, like Deputy Luiz Carlos Santos, the government leader in the lower house.

Government's Lack of Political Coordination Viewed

PY1403154895 Sao Paulo FOLHA DE SAO PAULO in Portuguese 12 Mar 95 p 7

[Article by Joao Batista Natali, with the "cooperation" of Daniel Bramati]

[FBIS Translated Text] The government, at the end of a confused and tense week in the economic sector and in its relations with Congress, remains without a permanent, reliable mechanism for political coordination.

Repeatedly heard among those closest to President Fernando Henrique Cardoso is the concept that the Planalto Palace command structure was installed "to visualize the State" and to propose administrative solutions.

Action was thus entrusted to Civilian Household Chief Clovis Carvalho and Presidential Secretary General Eduardo Jorge.

Yet "it is impossible to talk with them," a PMDB [Brazilian Democratic Movement Party] leader has said. The PMDB is the largest bloc to support Fernando Henrique Cardoso.

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Former Deputy Jose Abrahao, who was called on 8 March to coordinate—within Planalto Palace—relations between the executive branch and Congress, put it more euphemistically.

"The channels were clogged and there were many burning issues," he said yesterday. He believes the problem does not stem from specific unmet (opportunistic) demands that lawmakers submit to the president's team.

The problem entails above all the lack of reassurance, that deputies and lawmakers need to receive from the interlocutors with whom they discuss their problems. These are sometimes are of a doctrinary nature, like the regional impact of the fiscal reform.

Add this to the crisis within the PSDB [Brazilian Social Democracy Party], the president's party. Pimenta da Veiga resigned from the presidency of the party executive board after losing a confrontation with Communications Minister Sergio Motta, one of the strong men of the presidential "entourage."

Motta only wanted to take leave from the post of PSDB Secretary General, instead of resigning in light of his government function.

The problem is approaching a solution. Sao Paulo Deputy Jose Anibal, the PSDB leader in the Chamber of Deputies, said on 11 March the party board will meet on 14 March to declare that the presidency is vacant and to summon the National Board, which in turn must choose a new set of leaders within 30 days.

The PSDB will therefore cease to give the bad example of lacking a coordinator, a situation that contaminates relations between Planalto Palace and the other government coalition parties.

There are other pending matters. "It is not possible to resort to the president whenever there is a problem in negotiations with Congress," says PMDB Deputy for Sao Paulo Luis Carlos Santos, who—in his capacity as government leader in the Chamber of Deputies—is in a good position to spot the bottlenecks.

There are two alternatives to mobilize the person in charge of coordination. During a meeting of federal PSDB deputies on 10 March, at least three lawmakers advocated the designation of a person with ministerial status who would operate within Planalto Palace.

Another alternative would be to formalize Jose Abrahao's designation as coordinator. Even though he is an experienced lawmaker with good contacts within Congress, few people believe he will remain in the post.

This became especially clear after it was made known—with the Senate approval of the limitation of annual interests to 12 percent—that Fernando Henrique Cardoso should be careful not only with his adversaries, but also with allies like PMDB Senator for Amapa Jose Sarney.

Experts Analyze Effects of Argentine Economic Package

PY1503032295 Sao Paulo AGENCIA ESTADO in Portuguese 2123 GMT 14 Mar 95

[Report by Salete Silva]

[FBIS Translated Text] Sao Paulo, 14 Mar (AE)—The Argentine economic package announced on 13 March will cause a recession in Argentina and harm Brazilian exports, according to specialists consulted by AGENCIA ESTADO. Some measures, like the increases in taxes and interest rates, credit restrictions, and cuts in public spending, will certainly reduce Argentine consumption, industrial production, and investments. The economic measures are, however, timely given that the risk of an exchange crisis like that in Mexico has not yet been eliminated.

"The Argentine situation was serious, and it continues to be serious," said Antonio Correa de Lacerda, president of the Sao Paulo Regional Economic Council. However, in his opinion, the Argentine Government's decision to take recessionary measures should encourage the Argentine economy. "But they will inevitably harm trade between Brazil and Argentina," he added.

For Rubem Almonacid, former professor at the University of Sao Paulo and expert on the Argentine economy, the effects on the Brazilian economy will be minimal. According to him, the Argentine economic package has to benefit Brazil. "The longer Argentina takes to go down the drain, the better it is for Brazil," he said. The economic package therefore only delays the problem of the Argentine accounts imbalance.

The measures, said Almonacid, do not solve the Argentine problem definitively. "The problem is the imbalance between income and expenses, and there are only two alternatives for solving this: Either the government stops spending, or it obtains a loan," he said. The greatest risk, according to him, continues to be the lack of credit. "Once this credit it used up, the Argentine Government will not have the means with which to finance itself," he said.

Brazilian exports of consumer goods and of products directly linked to investments, like machines and equipment, will be greatly harmed, according to Julio Lattes, director of the Foreign Trade Department of the Sao Paulo State Federation of Industries (Fiesp). "I fear that the economic package, even though it is well put together, could cool down the Argentine economy and its presence on the international market," he added.

Mercosur

Experts believe that Mercosur [Common Market of the South] will not be harmed. "On the contrary, I think Mercosur will help other Latin American countries overcome the crisis," said Lattes. According to Almonacid, it is improbable that the Argentine Government would

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adopt any measure harming the interests of the Mercosur countries or harming trade between them.

Delayed Salary Payment Yields Earnings for Treasury

PY1403185995 Sao Paulo GAZETA MERCANTIL in Portuguese 9 Mar 95 p 3

[Article by Ivanir Jose Bortot]

[FBIS Translated Text] Treasury Secretary Murilo Portugal estimates that the government will earn 300 million reals [R] through enforcement of Provisional Measure No. 936. The measure sets forth that as of April, the salaries earned by Executive Branch civil and military servants and state-run company employees will be paid before the fifth calendar day of the month following the one in which the work was actually performed. Executive, Judicial, and Legislative Branch employees currently receive their salaries before the 22d day of each month worked, rather than in the following month.

The government also issued a decree whereby as of 2 June, the Treasury will release payroll funds only after the expenses have been registered by the Integrated Personnel Management Service (SIAPE). The government wants to prevent personnel funds from being used to pay for current expenditures. The provision, Decree No. 1412, conditions salary adjustments, the creation of positions, the modification of the professional career structure, and hiring and admitting of personnel on the approval of the Budget Guidelines Law (LDO) and on the Union's General Budget. Also, payment of expenses stemming from court decisions will depend on budget approval and on LDO authorization.

The Treasury will realize earnings by investing payroll funds between the 22d day of a particular month and the fifth day of the following month. It is a financial gain for the Treasury, which will imply a loss for the employees. "The gain will be recorded for only one month," Portugal explained.

This year, the Treasury will also have a direct advantage over its cashier, in light of the change made by the provisional measure. The disbursement of approximately R2 billion of the Executive Branch payroll that should have been made in December 1995 will occur in January 1996. For the Treasury cashier, it will imply a R2 billion gain. From the viewpoint of the jurisdiction system, which is used for assessing the operational results of public accounts, nothing will change.

The salaries to be paid in January 1996 will have to be recorded as expenses for 1995. Thus, personnel expenses will remain at approximately R34 billion. State-run companies that established other dates through collective bargaining arrangements will continue with their current system until the next collective bargaining agreement.

Colombia

Economist Views Social Leap, Oil Bonanza

95CA0154A Santa Fe de Bogota EL ESPECTADOR in Spanish 26 Feb 95 pp 1B, 6B

[Interview with economist Luis Jorge Garay by Henry A. Rodriguez B. and Hector Hernandez M., with the assistance of Alfredo Angulo; date and place not given; first paragraph is EL ESPECTADOR introduction]

[FBIS Translated Excerpts] Luis Jorge Garay, an analyst considered independent by academia, takes a look at the nation. He has serious concerns about the real scope of Samper's Development Plan and its execution. He warns that if the "war tax" and the VAT [Value Added Tax] surcharge are not extended, an increase in the tax burden could be imminent. He cites the need for a Petroleum Stabilization Fund. He proposes reworking somewhat the Hommes formula for massive placement of bonds abroad.

[EL ESPECTADOR] How do you see the present situation of the Colombian economy?

[Garay] The Colombian economy is facing three challenges: 1) It is in the midst of a profound political-administrative decentralization process, affecting not only political institutions, but also the nation's economic and financial institutions; 2) It is in an advanced process of economic liberalization and insertion in the new world economic order; 3) It is about to begin to deal with a petroleum bonanza of substantial magnitude, given the nation's size. But the fundamental problem is how to achieve our economic and social policy objectives in the midst of this context of decentralization-bonanza-economic liberalization and stabilization.

The Colombian economy has been moving forward in a stabilization process, and it has now achieved fiscal equilibrium. In the exchange area, reserves equivalent to about nine months of imports have been maintained. Inflation has not grown worse, and it should tend to decline. However, an analysis of the economy in relation to the petroleum bonanza shows the need for applying an integral stabilization strategy.

[EL ESPECTADOR] Has the economic liberalization process that was promoted by the former government been adequately carried out?

[Garay] It has essentially been more accelerated than originally planned, but at a rate and with characteristics relatively similar to those in a number of Latin American countries at the same time.

Experience has demonstrated that the rapid reduction of tariffs and the elimination of prior licensing requirements did not have as grave an impact as predicted, largely because there was an excessive level of protection for domestic production and because of the business sector's capacity to adapt. But the infrastructure was not

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ideal for achieving the objectives of economic liberalization then. That led to a debate on what should be done first: preparation of the domestic production apparatus and infrastructure before beginning economic liberalization, or undertaking both at the same time.

But at that time the Colombian economy faced a significant change in external conditions, which led to a tendency toward revaluation: a massive influx of capital of a more permanent and less speculative nature than what was observed in other countries in the area.

In good measure, this was Colombian capital of both a legal and paralegal nature coming back home, with more purposes than simply taking advantage of short-term profits; this capital influx generated both exchange pressures—toward revaluation—and monetary pressures on the economy. And also because of the magnitude of the underground economy—like contraband—it actually exceeded the area of capital movements.

[EL ESPECTADOR] Then should the liberalization of the capital account be corrected?

[Garay] First of all, we have to ascertain the effectiveness of placing administrative controls or permanent taxes on short-term capital movements.

In a world with economic liberalization, the imposition of controls is unsuitable, as over time they become inefficient, and they also generate distortions in the allocation of resources, uncertainty in the market, and instability in the economy. At this point, there is no justification for going back to calling for controls on capital in the style of Statute 444.

Still, it is important to recognize the usefulness of temporarily applying a tax on short-term capital profits as a mechanism for discouraging speculative movements. The recent experience of the Mexican crisis has again shown the value of such a tax.

[EL ESPECTADOR] At the present time, it would be ideal to stop revaluation. But how can that be done with such an abundant external influx of capital, which is not only legal, but also paralegal in origin?

[Garay] This is a paradigm for a world in a phase of economic liberalization. The most suitable option is a disciplined implementation of an integral macroeconomic stabilization plan, through the consistent application of monetary, fiscal, exchange, and financial policies.

[passage omitted]

[EL ESPECTADOR] What do you think of the Social Leap?

[Garay] There is relative consensus about the need to concentrate our efforts on the nation's social development. In that sense, the general purpose of the Social Leap has been well received. However, some serious concerns have arisen about the plan's real scope and its execution, and these concerns have been made evident. The Social Leap should be placed within the context of a consistent stabilization program for the four-year term, and its financial, administrative, and institutional requirements in relation to macroeconomic policy goals also need to be clearly stated.

[EL ESPECTADOR] Is stabilization a part of Samper's Development Plan?

[Garay] In principle, it would seem that the Development Plan, as it has been proposed, would not be consistent with specific stabilization goals. The government is making an analysis of midterm macroeconomic prospects, seeking to specify the areas available for an increase in public spending within a stabilization strategy.

From the studies that have been done, it seems that in the context of a stabilization policy, in the presence of the petroleum bonanza and if the influx of capital remains as it has been in recent years, along with other factors, we would need a consistent fiscal effort with an average surplus of 1.5 percent of the GDP [Gross Domestic Product] in the next five-year period—with the understanding that a high proportion of the present coffee mini-bonanza and of the petroleum surpluses would be saved.

If there is strict compliance with the transfer of resources to cities and departments, as the Constitution prescribes, even if public spending is held below its recent levels, it would still be necessary to increase public revenues by that 1.5 percent of the GDP. One way to obtain these funds is resources from new privatizations; another is tax rationalization to reduce the levels of tax evasion; and another is an increase in the tax burden.

[EL ESPECTADOR] Then a new tax reform would be needed?

[Garay] If nonsocial public spending is not reduced, a tax reform would be needed to encourage domestic private saving, and also to help finance the Social Leap and decentralization.

In any event, an increase in the tax burden would be even more necessary if the "war tax" and the VAT surcharge are not continued.

In general terms, an additional savings effort is required by society in the midst of the petroleum and coffee bonanzas so we can stabilize the Colombian economy in the mid- and longterm periods.

[EL ESPECTADOR] Would you prefer a tax reform or rationalization?

[Garay] The best thing would be tax rationalization that would drastically reduce tax evasion and avoidance. Not only for reasons of government revenues, but also because of considerations of equity.

It remains to be seen whether tax rationalization will be sufficient to generate the amount of resources required.

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[EL ESPECTADOR] Can the country tolerate more taxes?

[Garay] In international terms, Colombia's tax burden in relation to the GDP is still lower than in some countries with a similar level of development in the region, like Chile. Obviously, in Colombia there is great dissatisfaction about the tax level because of tax evasion and the quality of our public services. The problem of distribution and the level of the tax burden need to be dealt with.

One advantage for Colombia is that if we save part of the petroleum bonanza, our national savings as a whole will increase, and that will reduce pressures to raise taxes.

[EL ESPECTADOR] Is there any awareness in Colombia about saving the petroleum bonanza?

[Garay] Yes. There is a growing realization that the petroleum bonanza should not be misspent. Fortunately, Congress is now discussing the creation of a Petroleum Stabilization Fund to save an amount equivalent to nearly 40 percent of the petroleum revenues.

[EL ESPECTADOR] What do you recommend in your book on managing this bonanza?

[Garay] This book shows the need for a Petroleum Stabilization Fund as an essential economic policy tool, for the purpose of consolidating the economic liberalization and decentralization processes, reducing poverty levels, and promoting economic growth in stable conditions.

This fund would help us save a proportion of the petroleum revenues in line with the economy's capacity for *productive absorption* of resources, with the institutional and administrative capacity to manage public surpluses like the petroleum revenues, and in keeping with an attempt to spread out the bonanza over time, among other factors.

Apart from specifying the level of savings from the petroleum bonanza, as part of the macroeoconomic stabilization strategy we should also determine the distribution of resources among social sectors, regions, and productive uses in order to ensure the maximum social return from these public resources.

Undoubtedly, all of the preceding is an essential requirement for avoiding the type of problems that many of the petrolum-exporting countries faced during the two booms in crude prices during the 1970s and at the beginning of the 1980s. Such problems are known as the *Dutch Disease*. In essence, that consists of a temporary revaluation that is not sustainable in national currency, and a growing vulnerability of the economy to developments in the international petroleum market.

In Colombia's case, we face greater challenges than those experienced by other countries in the earlier oil booms, because of the advanced decentralization process and the massive transfer of resources—including petroleum royalties—from the central government to decentralized agencies, because of the risk of a loss of fiscal discipline and effort, and through inefficient utilization of these substantial public resources.

In addition, the Colombian economy is now in a comfortable exchange situation, enabling it to absorb an external bonanza of the magnitude predicted for the rest of the decade, without having to get involved in a revaluation that would be impoverishing in the mid- and longterm periods.

[EL ESPECTADOR] Is Colombia ready for a decentralization process as extensive as the one that is coming?

[Garay] The petroleum bonanza in the midst of the decentralization process implies a massive transfer of resources to the cities and departments. In the 1995-2000 period the increase in these transfers may be between 2.5 and 3 percent of the GDP. Moreover, if the departments and municipalities use those additional revenues as financial leverage, we could expect that their fiscal spending and deficit will substantially increase.

Such a deterioration in regional finances would cause serious harm to the needs of the macroeconomic stabilization strategy.

Decentralization requires thorough institutional reforms to ensure fiscal discipline and effort by different levels of the public administration in order to ensure quality, efficiency, and social returns in the use of public resources.

[EL ESPECTADOR] All throughout this interview you have insisted on stabilization. But perhaps Colombia has already had sufficient doses of this type of policy?

[Garay] A number of administrations have been applying stabilization programs. Their purpose has been to adapt the economy to changes in both its external and domestic environment.

The economy now faces substantial changes because of the intensification of the decentralization process and because of the reproduction of the petroleum bonanza; these changes justify the adoption of adjustment and stabilization measures.

In the Colombian economy's present context, an integral stabilization strategy, through a consistent and balanced application of fiscal, exchange, monetary, and financing policies, is required.

This should be carried out with due consideration given to the relative efficiency and levels of autonomy characterizing each of these policies, in a climate of openness to external competition and of free international capital mobility.

It is not frivolous to say that stabilization is like love: you have to work on it every day. But the important thing is that stabilization favors growth. [passage omitted]

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Ecuador

Leoro Notes U.S. Interest in Finding Solution

PA1503030395 Quito Voz de los Andes in Spanish 2300 GMT 14 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Foreign Relations Minister Galo Leoro Franco, who is in Washington, has pointed to the evident interest the United States has to cooperate and find a definite solution to the conflict between Ecuador and Peru. That interest was evident during the visit U.S. delegate Luigi Einaudi, U.S. Secretary of State Warren Christopher's aide, paid to Ecuador and in the reception granted to the Ecuadoran foreign minister on 15 March.

At a working meeting held on 13 March with Einaudi, President Sixto Duran-Ballen told the enovy of Ecuador's determination to peacefully resolve the border dispute with Peru. Meanwhile, Leoro met today with OAS Secretary General Cesar Gaviria at 1100 hours and gave him details of the conflict with Peru, taking into account Gaviria's offer to have his good offices mediate between the two countries. Minister Leoro also said that the UN Security Council and secretary general are being rightfully informed of the Ecuadoran position in order to prevent the problem from being ignored or from being subjected to misinformation. In addition, he pointed out that during the conflict, the European and Latin American communities called for peace and urged the two parties to seek a friendly solution to the conflict, which was described as valid because the concept of peacekeeping must be a permanent one.

As for the meeting between President Duran-Ballen and the Vatican representative, the foreign minister said that the cooperation of Pope John Paul II is necessary to convince Peru of the need to agree with Ecuador to accept and reach a peaceful solution. As long as this agreement does not exist, we are unilaterally seeking a fair, dignified, and peaceful solution to this major problem. Minister Leoro stressed that the relations with the Vatican are good and cordial and that Pope John Paul II has been informed of the development of the events since the his arbitration in the issue was suggested.

Army Commander Cited on Peruvian 6th Military Zone

PA1503031395 Quito Voz de los Andes in Spanish 2300 GMT 14 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Army Commander General Jorge Ortega has said the Ecuadoran Armed Forces will restate their military strategy to face the threat posed by the Lima Government's decision to create a 6th Military Zone near the border with Ecuador. They, the Peruvian military, have the right to create such a 6th Military Zone, but we will analyze this matter right here and will proceed accordingly, Ortega has maintained.

The Peruvian Government has ordered the creation of the so-called 6th Military Zone near the border with Ecuador, following the signing of the peace agreements between the conflicting nations. Ortega has said the Ecuadoran soldiers remain in a state of alert in all the provinces bordering the southern neighboring country although there are no new events at the Cenepa basin. The soldiers are always prepared and willing to fulfill their sacred mission of defending Ecuador's territorial integrity, the high-ranking military officer added.

In addition, he has said everything remains calm: I can see that the procedures the observers will go by have been signed. They are the ones who will effectively guarantee the cease-fire, the demilitarization, and the demobilization, after which we will be able to talk about a peaceful atmosphere at the area of conflict and in the country.

The group of permanent observers from the guarantor countries who are in the outskirts of the area of conflict to verify the compliance with the Itamaraty peace agreement and its subsequent approval in the Montevideo Declaration are already in the area. Following the verification of the cease-fire, these permanent observers must also verify the demilitarization and the demobilization of the Ecuadoran and Peruvian troops, which faced one another for 32 days at a strip located along the 78 kilometers that have remained undemarcated since 1942.

This demilitarization and demobilization before the verification of the troops' positions will be simultaneously carried out when the observers deem it is the right time, the Army commander has said. The observers, known as the White Caps [gorras blancas], will remain in the area of conflict for 90 days, a stay which, according to the Itamaraty peace agreement signed on 17 February, could be extended.

Democratic Left Analyzes War's Effect on Economy

95SM0228B Guayaquil EL UNIVERSO in Spanish 28 Feb 95 p 3

[Article by Jorge Gallardo Zavala, national director of the Democratic Left: "The Economy After the Conflict"]

[FBIS Translated Text] The undeclared war between Ecuador and Peru caused grave damage to our country's economy. It is truly a tragedy. We are about to lose more than a decade of economic adjustments, made at the cost of great social sacrifice. The end of the century will be different from what we had imagined. Our scarce resources, that we had programmed to finance public investment, have been redirected in large measure for the defense of our territorial heritage. Objectives that were proposed in the macroeconomic plan have been set back. We are facing a new situation that requires an alternative strategy.

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Other Measures

The impact on public finances cannot yet be quantified, because the conflict continues, despite the signing of a peace document that Peru does not respect. In any event, the fiscal situation requires taking action in such a way that the remedies do not fall upon the most vulnerable sectors of society.

As for revenues, with the 2-percent tax on vehicles and the contribution of two days of salary, broad sectors of society are sacrificing to pay the extraordinary costs. Other measures will have to be taken in order not to dramatically cut public spending on investment. In addition to broadening the tax base for payment of the VAT [value-added tax], in our opinion there should be a 1-percent increase in withholding tax at the source on the sale of personal property, and a 3-percent withholding tax on payments by credit card. In addition to increasing revenues, in the specific case of credit cards, such payments will permit the broadening of the taxpayer base. These measures, which can be enacted by regulation by the minister of finance, could generate about 80 billion sucres, which—when added to the measures already taken or about to be taken—would bring an increase in revenue on the order of 430 billion sucres, about 1 percent of the gross domestic product.

Prioritize Spending

With regard to expenditures, the following priorities should be observed:

In the first place, Ecuador should ask the Management Committee of Private Banks for deferment of the renegotiation agreements on foreign debt, at least until the first semester of next year. Along the same lines, an urgent meeting should be requested with the Club of Paris to explain the country's economic situation and reach a new restructuring of our debt with the friendly countries.

In the second place, a Decree of Austerity should be issued on behalf of the president, which in addition to other provisions would prohibit the inclusion in the budget of items that do not appear in the budget jointly approved by the National Congress and the Executive.

In the third place, public investments should be reprogrammed so that works in progress are not halted.

Maintain Social Spending

Finally, under no circumstances should social spending be eliminated or decreased, since social policy should have priority in this emergency.

Under the concept of fiscal balance, monetary policy should be oriented toward bringing greater liquidity to the market to achieve a decrease in interest rates, and in order to allow private investment to cover the gap that will be created by the decrease in public investment. This decision requires in its turn a more dynamic exchange-rate policy and higher inflation than that planned for. With these measures, economic growth would not be sacrificed. If the goals revised and announced by the economic authorities were to be maintained, the danger would arise that interest rates would not decrease and that the economy would fall into a deep recession, with the social consequences that would derive from that situation.

These suggestions should be enacted immediately, and are aimed at easing, without a great many shocks, the inevitable crisis that we must face.

Long-Term Policy

However, at this point the country does not require patchwork remedies, but a long-term government policy that would permit economic development in a peaceful setting—as a basic human right to which all Ecuadorians should aspire.

Peace, after this experience, becomes the most important component of development, which in turn is another way to define peace. In this sense, the fight against poverty is the war to which all Ecuadorians should rally, with an attitude of solidarity such as that demonstrated in this conflict. In this way, out of a sense of responsibility for the future and for history, let us work together toward the possibility of settling the territorial conflict definitively and completely. Let us no longer mourn those who died in combat, as they cannot be present for the struggle that awaits us tomorrow. But let us not forget them, because they were the seed that will enable the building of a lasting peace with dignity. For the future of our fatherland, may a disaster such as we are experiencing never happen again. Because of this, as the gospel says, let us seek a definitive solution, so that between fraternal peoples we can give one another fraternal peace.

Conam President on War's Effect on Modernization

95SM0228A Quito HOY in Spanish 18 Feb 95 p 9A

[Interview with Mauricio Pinto, president of the National Council for Modernization, by Ernesto Trujillo; place and date not given: "Will Modernization Slacken?"]

[Text]

Plans for the electrical sector will change, but telecommunications will stay on course.

Ecuador's military conflict with Peru made necessary a reexamination of the economic program's goals, as well as of the modernization and privatization programs for state enterprises, promoted by the government through the National Council for Modernization [Conam].

For the time being, not only were the dates changed for inviting private firms to take part in bidding on various public services, but there was a major shakeup in the program itself.

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Mauricio Pinto, president of Conam, said that one of the most important changes in the modernization program will be in the electric energy sector. The other sectors will be turned over to private enterprise via concessions, with little delay.

In an interview with HOY, Pinto discussed the war's effects on another of the ambitious goals of Sixto Duran-Ballen's government: the transformation of the entire apparatus of the state.

[Trujillo] What effect will the conflict between Ecuador and Peru have on the modernization process?

[Pinto] We are evaluating what the effects are or will be. Personally, I do not believe that it will have a great impact on the programs that we have been conducting. It will not have any effect on the privatization of the Ecuatoriana, for example. In a meeting of the Council, we are going to approve the text of the standards for inviting consortium partners who might be interested in 50.1 percent of the shares of that company.

[Trujillo] Nevertheless, will not recent experience cause a reexamination of the advisability of turning over to the private sector enterprises which are regarded as strategic?

[Pinto] I believe that will be discussed and we can probably take another look at certain things, but I see no reason why the concession of public telephones, for example, should be delayed. We could probably decide whether the main circuits [anillo interconectado] should be privatized or should remain in the state's hands we could consider that.

[Trujillo] Do you mean that turning over the electrical energy sector to private enterprise could be reconsidered?

[Pinto] We have to face up to circumstances and review the situation. I would like to see medium-sized power plants brought into the private sector much more aggressively, and the state granted the ability to take over distribution so that, in periods of crisis and emergency, it could demand production.

[Trujillo] Will the main circuits and the hydroelectric plants remain in the hands of the state?

[Pinto] Until the state is confident enough to be able to say that generating capacity is broadly distributed, it must maintain control of the generation of electric power, but it can privatize and grant concessions of new hydroelectric projects, and especially the thermoelectric sector, which is not operational.

[Trujillo] Obviously, modernization of the electric energy sector has been modified, but what about telecommunications, which people believe played a major part in the conflict?

[Pinto] I would say that it makes no difference whether it is in the private sector, because there are very drastic laws in the event of national emergency. Furthermore, we probably would have had better telecommunications service in combat areas if we had been able to rely on transmission via satellite for everyone, and been able to buy time, without having the expense that the television broadcasters have.

[Trujillo] Modernization in telecommunications will not be set back?

[Pinto] We have the alternative of using the concession method, contained in the reform of the Modernization Act. Concessions will be granted for local and international telephone service, etc., but without allowing any monopoly.

[Trujillo] What will happen with the IESS [Ecuadoran Social Security Institute]? It made its entire infrastructure available, while the private health sector did not come forward.

[Pinto] Believe me, that is a myth, an absolute myth, because the units that were there were from the Ministry of Public Health. In the combat zone, none of the wounded went to IESS hospitals, but to the military hospital. It was a clever way to get publicity, but the truth is that the wounded went to the military hospital.

[Box, p 9A]

He Also Said

- One of the positive things that came out of the conflict is that the design of the macroeconomic system was shown to have worked and really held up at the most difficult moments, and that is one of the reasons why it could stand up as it did for more than 20 days. This will make investors feel more confident.
- Investors already have confidence in the system. That is why, when there was news of a ceasefire, the market was stable. If there were no confidence in the system, that would not have happened.
- The country has demonstrated strength and unity. The country knows that it can no longer be mistreated, it has shown that it has leadership, and that is also important for investors.
- It is strategically important not to have production concentrated in a single area. In the case of electric power, for example, it is better to have generating capacity in many hands, in small- and medium-sized plants, than to have it concentrated in a single plant.

Prospects for Regional Integration Observed

95SM0235A Quito EL COMERCIO in Spanish 6 Mar 95

[Commentary by Eduardo Larrea; "Conflict and Integration"; received via Internet]

[FBIS Translated Text] Some economic analysts, even before the most recent conflict with Peru, expressed the view that the integration of the Cartagena Pact countries

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into an Andean common market could not take place as long as a conflict existed along the border between Ecuador and Peru.

In reality the efforts which have been made toward integrating the countries of the Andean Group have not turned out very successfully, even over the most recent past. Of course, Peru has avoided any commitment. In terms of trade with Colombia it would be necessary to analyze the foreign commerce figures very carefully. It is logical that if the doors to trade were opened, a large percentage of the merchandise which has crossed the border with Colombia would increase the statistical data on trade between Ecuador and Colombia. It would be necessary to analyze how much of that trade already has gone on between the two countries through smuggling. With regard to trade with Venezuela, just in the last few years Venezuela has industrialized itself as much as possible, not only by producing food and basic articles needed for its own consumption, which Venezuela previously imported, but also by putting its steel and aluminum industries and the raw materials produced in large quantities in that country into a competitive position. On the basis of its performance over the past decade alone Venezuela could integrate itself into a trading market with Colombia and also with Ecuador.

However, there are transportation difficulties with our country. Claims have been presented by certain trade unions aimed at preventing the transportation of goods between the countries of the northern Andean group if it is not handled in trucks and vehicles of Ecuadoran registry.

Despite all of that, the Cartagena Pact has continued to develop. It could eventually turn out that three or four countries, excluding Peru, might try to strengthen their economies by means of this new and stronger market and become attractive to countries outside the area.

However, the conflict with Peru will undoubtedly have a serious impact on the cross border trade between the two neighboring countries. With or without fighting, it is inevitable that this trade will continue. For many reasons the cross border trade is essential, in the interests of the northern area of Peru and the income of the Provinces of Loja, El Oro, and Morona-Santiago in Ecuador.

The weakening of a possible and theoretical common market between all of the countries of the Cartagena Pact will be an inevitable consequence of the present conflict between Ecuador and Peru.

However, now is the time for further development. At the same time, Ecuador must reflect and decide whether it will continue to stay within a possible common market with Colombia or Venezuela. The question is whether these two countries would be interested in the small, Ecuadoran market or would they would prefer to join the free trade system of Mexico, Canada, and the United States.

Our country cannot stand still at a time when countries are joining trading blocs and when the common market is not so integrated and complete as to cover all of our production, market, and consumption. However, this possibility must lead us to consider the possibility of joining a bloc which, without consideration of border problems, could mean the expansion of our trade and the possibility of economic integration with other countries in South America.

Japan's Eximbank Grants $600 Million Credit

95SM0235B Guayaquil EL UNIVERSO in Spanish 5 Mar 95 p 1

[FBIS Translated Text] Quito—The Eximbank of Japan (a Japanese Government bank) has offered a $200 million credit to strengthen Ecuador's financial planning. This was announced by Minister of Finance Modesto Correa.

It is expected that this financial assistance will be provided during the first two weeks of March. This will complete the process of negotiation begun in November 1994.

Resources from this credit will be used to pay back a bridge loan for the same amount of money which the Andean Development Corporation (CAF) entered into last week to facilitate the purchase of debt collateral (zero coupon bonds) and the final exchange of old paper pertaining to the external debt to international private banks.

According to Correa, the Eximbank loan will provide the necessary resources to continue to implement the complete plan for restructuring the economy and cofinancing the loans extended for the same objective by the International Monetary Fund, the IAD [Inter-American Development Bank], and the World Bank.

He emphasized the importance of the Eximbank and the cooperation which it provides to developing countries in their processes of stabilization and growth.

Peru

Government Demands Verification of Rights Violations

PY1403175895 Lima Radio Programas del Peru Network in Spanish 1634 GMT 14 Mar 95

[FBIS Translated Text] We have just received the following Foreign Ministry report. The Peruvian Government today asked the Inter-American Human Rights Commission to visit Ecuador as soon as possible to verify human rights violation and reports of harassment against Peruvians residing in that country.

This request was made by Peruvian Deputy Foreign Minister Eduardo Ponce Vivanco through a diplomatic note to the Inter-American Human Rights Commission president.

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The note refers to the following human rights violations:

The forceful arrest and disappearances of 58 Peruvians residing in Ecuador;

The arbitrary arrests, harassments, and torture of nine persons, all of which have been verified and reported to the Inter-American Human Rights Commission;

The flagrant violation of the basic rights of freedom of the press and speech against journalists Jose Marino, (Jose Yaja) and (Carlos Maureora) from Lima Panamericana Television;

The harassment of Peruvian diplomatic and consular personnel, in addition to the savage attack by four people dressed in military uniform on the Peruvian deputy consul in Machala, Mr. Eduardo Gonzalez Mantilla;

And, last, the killing of a Peruvian citizen and the maiming of two others by mines placed by Ecuadoran troops in civilian zones far from the conflict area, in flagrant violation of international humanitary laws.

The request submitted to the Inter-American Human Rights Commission reasserts the charges raised by Peru at the OAS Permanent Council meeting on 8 March.

The request also seeks the suspension of human rights violation practices that transgress measures encompassed in the Human Rights Convention of the Americas through the presence of an Inter-American Human Rights Commission mission.

Election Board Denies Irregularities in Congressional Lists

PY1503010395 Madrid EFE in Spanish 1657 GMT 11 Mar 93

[FBIS Translated Text] Lima, 11 Mar (EFE)—The National Election Board has denied there are "ghost" candidates, errors, or irregularities in the list for the congressional elections as charged by Susana Higuchi, who is separated from her husband President Alberto Fujimori.

National Election Board President Ricardo Nugent said on 10 March that all the lists for filling the 120 seats of the next Congress, which are considered correct by the board, fulfilled electoral law requirements.

Higuchi, who is confronting President Fujimori politically, charged on 8 March that at least five congressional lists, including the list from the United Left, were incomplete or included individuals who were not registered in the electoral registry.

Nugent rejected the accusation, saying there were no "ghost candidates" and that Susana Higuchi was wrong.

Nugent said: "Higuchi's charges have no basis; there are no mistakes. She is the one who made the mistake, because her comments are not right."

The United Left also replied to Higuchi, saying that an incomplete list was presented, that seven names were missing because of typographical errors, that this is allowable by electoral law, and that the necessary corrections were made within the term established by the law.

Susana Higuchi saw the doors to her political aspirations closed when she presented her presidential candidacy for the 9 April elections and it was rejected by the National Election Board, which also rejected her congressional candidacy.

Ricardo Nugent also said that there is no reason to postpone the elections, as requested by some candidates, due to the conflict with Ecuador. He said that the number of voters in Peru is 12,417,946 out of a population of 22 million according to the 1993 census.

Meanwhile, some presidential candidates continue their electoral campaign throughout the country.

Javier Perez de Cuellar, former UN secretary general and Union for Peru presidential candidate, who is Fujimori's main rival, asked Fujimori to be impartial in his reelection campaign.

Perez de Cuellar said: "Fujimori must prove he will not use any state resources to obstruct a clean election."

He added that the current electoral process "is one of the least passionate, despite being the most crucial, because a decision will be made in the upcoming elections as to whether Peru is willing to be a fully democratic country."

He believes that while the electoral process lacks the heat that normally accompanies a campaign to obtain votes, "the water is not yet boiling."

Perez de Cuellar criticized Fujimori for being "self-centered, arrogant, convinced of always being right, and not much inclined to exchanging ideas or opinions."

Perez de Cuellar is campaigning in the Peruvian central mountain range region. The other candidates are in various parts of the country. Economist Alejandro Toledo of the Democratic Coordinating Movement-Peru Viable Nation is visiting Ayacucho. Lima Mayor Ricardo Belmont of the Obras Civic Movement is campaigning in Puno Department, at the Bolivian border.

Belmont said the Constitution should be reformed to include a chapter to punish "presidential candidates who tell premeditated lies to the country to satisfy their personal political desires," and that the same punishment should be applied to congressional candidates.

Belmont and Toledo have criticized Fujimori in saying that he lied about certain aspects of the border conflict with Ecuador.

Shining Path Reorganizing, Preparing To Obstruct Elections

PY1503012095 Madrid EFE in Spanish 0742 GMT 14 Mar 95

[FBIS Translated Text] Lima, 14 Mar (EFE)—According to sources at the Interior Ministry and the National

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Counterterrorism Directorate (Dincote), the Shining Path terrorist group is getting ready for a boycott of the 9 April general elections.

The same sources said that the radical faction of the Shining Path headed by Oscar Ramirez Durand, aka "Feliciano," is planning a series of attacks to create fear among the population.

This is an old Shining Path tactic that has, since their violent appearance in 1980, been reimplemented in the months prior to elections.

According to Dincote, the terrorists use children to carry out their attacks. This is a system that had been implemented in Ayacucho Department, where the followers of Abimael Guzman, the gang's founder, were trained before spreading throughout the entire country.

A few days ago the police detained a 14-year old girl who planted a charge of dynamite across from the U.S. Embassy in Lima, but which did not cause any major damage.

After the girl had been interrogated, the police were able to arrest 10 Shining Path members of the "hard" line headed by "Feliciano."

According to the police, the followers of Ramirez Durand plan to unleash a wave of violence late in March or early in April to create fear among the population and stop them from voting.

On other occasions Shining Path has implemented the same tactic, but it was never able to get its way because it cannot cope with the military and police forces, and election absenteeism has been minimal.

Shining Path recently carried out some attacks in Lima and other areas without any major consequences.

Meanwhile its founder Abimael Guzman, who has been in prison since 1992 at the Callao naval base, has called on his followers to stop the violence, but the "Feliciano" faction has paid no attention and has committed sporadic murders and acts of violence.

According to Dincote, the subversive activity is concentrated in Lima, the northern jungle region, and in some parts of the central mountain range. But it is in the northern Amazon jungle that Shining Path has most of its force and resources.

On 12 March troops that just returned from the border with Ecuador clashed with a Shining Path column in San Martin Department, and 15 terrorists and five soldiers, including one lieutenant, were killed.

The activities of Shining Path in the northern jungle have caused some casualties, such as seven members of the civilian militia known as "peasant defense patrols" who were murdered in February.

The Shining Path terrorists have also destroyed property and stolen dynamite from mines to get explosives.

Dincote believes the promoter of the terrorist acts is the Shining Path organization People's Aid, which has been reactivated to prepare the attacks and provide supplies for those in charge of carrying out the attacks.

"Comrade Rene" has become the head of the People's Aid organization after Martha Huatay was arrested and sentenced to life in prison along with Abimael Guzman.

Dincote says that the terrorists took advantage of the presence of troops at the Ecuadoran border for over a month to reorganize themselves and carry out attacks in Lima which, though not very destructive, could be the beginning of more serious attacks.

President Alberto Fujimori has asserted that Shining Path would be eliminated by July 1995, when his presidential term concludes.

Government Extends State of Emergency in Cusco

PY1403212295 Lima Radio Programas del Peru Network in Spanish 1800 GMT 14 Mar 95

[FBIS Translated Text] In response to a request made by the Armed Forces Joint Command, the government has extended until 15 May the state of emergency in the provinces of Paruro, Acomayo, (?Chumbivilis), (Cascana), and Canchis in Cusco Department.

In view of this, all civilian rights such as no arrest without a warrant, free movement throughout national territory, the holding of peaceful meetings without guns, and no search without a warrant, have been suspended.

Venezuela

'Mass' Arrests of MBR-200 Associates; Chavez Reacts

PA1403180395 Paris AFP in Spanish 1633 GMT 14 Mar 95

[FBIS Translated Text] Caracas, 14 Mar (AFP)—More than 30 people, most linked to rebel commander Hugo Chavez, were arrested by the political police between Monday night and Tuesday morning in different Venezuelan cities, in order to prevent possible social upheaval. Interior Minister Ramon Escovar Salom confirmed the arrests, noting that they were undertaken to prevent objectives spelled out in graffiti calling for rebellion that has appeared on walls around Caracas. He added that the public opposes disorder and insurrection.

General Rafael Vivas Ostos, director of the Directorate of Intelligence and Prevention Services (Disip), the political police, confirmed the raids against "people who are trying to subvert order and destabilize" the country. He denied emphatically that a coup d'etat was expected.

Analysts noted that these arrests were made within the framework of the three individual constitutional guarantees suspended since the end of June 1994. These guarantees address arrests made without warrants, raids on homes, and free circulation of citizens.

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At approximately noon today, dozens of sympathizers of the Bolivarian 200 Revolutionary Movement (MBR-200) were headed for the Prosecutor General's Office to protest the "arbitrary action" against the social activists by the government of President Rafael Caldera.

Police actions against the Chavez-led MBR come after an Interior Ministry investigation into his alleged links with the Colombian Army of National Liberation (ELN), which on 26 March killed eight Venezuelan soldiers in an attack on the Cararabo border post. Over the weekend, the Colombian edition of the Spanish magazine CAMBIO 16, citing Colombian intelligence sources, indicated that Chavez was "linked to clandestine activities with leaders of the subversive Colombian group, ELN."

Deputy Vladimir Villegas, of the laborite Radical Cause and chairman of the congressional human rights committee, said these arrests are part of a government maneuver against MBR-200 because of its links to different sectors in the country. He said the measures are also trying to prevent popular demonstrations that are meant to protest the critical economic conditions affecting the population.

Among those arrested and mentioned by Villegas are Freddy Bernal, former commander of the Ceta Group, a dismantled Metropolitan Police elite detachment, and student leader Rene Estedillo, who was an active participant in the 27 November 1992 military uprising.

Student activist Omar Ruiz has reported the arrest of at least seven students and leaders of grass-roots sectors in the Andean city of Merida, 500 km southeast of Caracas. He also charged that there have been mass raids on the houses of other grass-roots leaders.

It has also been reported that there have been mass raids and arrests at an oil company in Maracaibo.

Chavez, a retired Army lieutenant colonel, first came to prominence on 4 February 1992, when he headed the first of two military uprisings that year against then President Carlos Andres Perez. Most dramatic was the moment when, defeated and facing television cameras, he took responsibility for the uprising. The charges against Chavez for military rebellion have been stayed by current President Rafael Caldera, as have the charges against the rest of the rebels. But, in the leaders' cases, discharge from the military was a condition for the stay. Chavez is a harsh critic of the president.

In statements to reporters at noon today, Chavez challenged President Caldera "to imprison me again. If we are men, Dr. Caldera, pull up your pants and don't pick on kids, don't pick on women at midnight. Pick a fight with the men. Don't pick on officers (in the Armed Forces) who have nothing to do with this," he said. "Imprison me if I'm responsible. Dr. Caldera, I challenge you again. Put me in prison. I'm not going to hide. But let's see who lasts longer, Dr. Caldera, me in prison or you in the (presidential) Miraflores Palace," he said.

Border Official on Ties With Colombia

PA1103025695 Caracas EL UNIVERSAL in Spanish 9 Mar 95 p 1-12

[Interview with Pompeyo Marquez, chairman of the Venezuelan National Border Council, by Clodovaldo Hernandez; place and date not given]

[FBIS Translated Text] [Hernandez] Relations with Colombia seem to be subjected to two opposing forces. On the one hand, there is the auspicious headway in trade and on the other, a dramatic reality of our extensive border areas. Which of the two forces will triumph?

[Marquez] Relations with Colombia are the most difficult and conflicting on the one hand, and on the other, harmonious and characterized by cooperation. This has been true over the past few years. Years ago, relations had to do with the delimitation of marine and submarine areas, better known as the Gulf of Venezuela quarrel. This was the main topic until the work performed by the Commissions of Border Affairs and Negotiation [Comisiones de Asuntos Fronterizos y de Negociacion] that everyone is talking about, dealing with more than 2,000 km of border. The contribution of special commissioners Rafael Pizani and Isidro Morales Paul allowed us to place the agenda in order and group together all these situations in 10 big problem groups and it is in this way, with an overall vision of relations, that the full magnitude of this reality could be appreciated.

[Hernandez] Isn't it too much sacrifice for Venezuela in terms of loss of lives, sovereignty, natural resources, state budget, and private properties? Aren't too many concessions being granted just because trade figures are on the increase?

[Marquez] We should not stack one thing against the other. This is a reality, and the question is how to deal with it. This is where Venezuela has not been consistent and has not developed a state policy toward Colombia. We do not understand the border to be where the country ends, but instead, where it begins, and where our sovereignty, our territorial integrity, and our identity are at stake. Previously, we had this same negative circumstances, but without the booming trade. Now we have both situations, but we should not stack one thing against the other.

Treaties on Paper

[Hernandez] How can the government defend the thesis of negotiating and always seeking the diplomatic path if a large number of treaties and agreements have already been signed by the two countries, particularly in the area of border security, and Colombian authorities do not comply with them?

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[Marquez] These are treaties that remain on paper, sometimes it is Colombia's fault, other times it is Venezuela's. There has not been any willingness to comply with them. We must seek treaties that are more in keeping with the reality and support them with political resolve to make them enforceable. A case in point is the situation with the theft of vehicles. The problem has focused on the fact that Colombia refuses to return the vehicles, but that is not the core of the issue. First, we must ask ourselves why 38,000 vehicles are stolen in Venezuela. That is a question we must ask ourselves if we want to be honest with ourselves. Later, we must ask ourselves why 35 percent of those vehicles leave the country, how these vehicles are taken out, and who collaborates with this operation. After we find the answers to these questions, then we can ask ourselves why is Colombia allowing those vehicles to move about and does not return them. The issue has a sequence, and we must approach it this way. Now, by saying this, I run the risk that those characters who hold their motherland so tight that they smother it will begin to insult me.

[Hernandez] Some analysts point out the attitude of the Colombian State and Government is that of "turning a blind eye" because even without promoting actions of this sort, it obtains geopolitical gain since the incidents force Venezuelan foreign policy and the Armed Forces to focus on the border. What do you think about this view?

[Marquez] I would not go as far as those who claim that this is all the product of a plot between the guerrillas and the Colombian Army. Objectively, they are defending their cities and have left their border with Venezuela unattended, which has harmed our country.

[Hernandez] Does Colombian diplomacy still overpower Venezuelan diplomacy?

[Marquez] Deep down, those who think that way have a big complex. And let it be clearly understood that I am not saying this because I was a negotiator for five years. I do not believe in such overpowering. Those who seek to undermine the capacity of Venezuelan diplomacy do not do any good to the country. We must overcome those complexes that some opposition writers, who devote their time to belittling efforts by Venezuelan negotiators, take pride in.

[Hernandez] Further risking criticism for defending the opposite side, Marquez explained that at times, one forgets about Colombia's domestic situation, which resembles a sea of conflicts—conflicts with drug traffickers and the guerrillas; terrible social problems; and those problems that arise from the epithets it receives such as that of narcodemocracy assigned by the U.S. Government.

[Marquez] I would dare to say the following: Venezuela's problems are trivial compared to those of Colombia, and I do not say this as a minister but as a Venezuelan who has been studying the daily situation and history of Colombia for over 40 years.

[Hernandez] How do you view the political and military conduct of the Army of National Liberation [ELN] in attacking Venezuela? Wouldn't it be more consistent with its preaching if that group directed its actions against the proverbial Colombian oligarchy?

[Marquez] During the administration of Colombian President Virgilio Barco, I was invited to talk about the peace process in Venezuela. I said then that the difference lies in the fact that the Venezuelan insurrectional movement was the product of a political decision and, as such, was modified by another political decision 30 years ago. We understood that the solution was not a coup d'etat or an insurrection. That is why the country recognizes us, with our successes and our mistakes. I have talked to representatives of the ELN, the Revolutionary Armed Forces of Colombia, and the M-19 [19 April Movement]. During their visit to Caracas to talk with the government, it was clear that Venezuela wants peace in Colombia, that it seeks an end to the conflict. I told them then, and those who are still alive no doubt can remember this, that it was a mistake to attack Venezuela, because in doing so, what they were doing was confronting not only one but two armies. Also, they would elicit the repudiation of Venezuelan public opinion. After that, they published a communique pledging not to operate in Venezuelan territory, in recognition of the behavior observed by our country. That pledge has been broken and today facts demonstrate how wrong they were. They do not have a political message for Colombia. Now there are wealthy and poor guerrillas, according to whether they get paid a little or a lot in their kindappings. Of course, the organization is socially based, has influence, and exercises control in liberated zones. This is a reality that anyone can confirm. The government cannot put an end to the guerrillas nor can they put an end to the government. The armed movement is a way of life and there are generations of Colombians who do not know any other way of life.

[Hernandez] Is there not a risk that the arms dealers may provoke a new arms race, using the incidents that have occurred as an excuse?

[Marquez] In states of tension the war dogs always appear. They sell us some sort of weapon here and then go to the other side to inform, as in a ping pong game of huge profits. They are always present and in this case they are present.

During the interview, the official received a call from Colombian Foreign Minister Rodrigo Pardo, who voiced his concern about the statement made by Marquez on Tuesday regarding the doubts the Venezuelan security corps had in terms of the real responsibility of the individual detained for the ELN actions.

After explaining that the information from Bogota had not been clear enough to convince the sensitized Venezuelan public, Marquez asked Pardo for the best possible cooperation, to prevent the wave of adversity against Colombia from swelling any further.

"What I fear the most," he said over the telephone, "is a xenophobic anti-Colombian sentiment, and if you do not help, we will be unable to restrain it."

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[Hernandez] How do we stop the anti-Colombian opinion that has again flourished in the country?

[Marquez] It is difficult. The Colombian state has to help by meeting its commitments, protecting its borders, and preventing these events from recurring. As facts make the difference, their actions will prevent that negative wave from swelling. We must also make an effort to understand that we have conflict-ridden neighbors, but this is the only Spanish-speaking neighbor we have, and that we have developed significant cooperation and ties with Colombia. The idea should not be to aggravate a chauvinistic fear for aliens. We must oppose the graffiti messages that read "Kill a Colombian and be patriotic." That cannot be the way to go, and I hope the responsible and balanced stance taken by President Caldera will prevail. I was listening to the radio and was glad to hear the results of a poll that said a 5 to 1 majority was in favor of diplomatic, political, economic, and social solutions and against the war monger point of view.

Commander Carrillo's past history does not seem to be a good sign of his intentions to help improve things. The fact that Colombian authorities have tried to calm the mood by presenting an alleged chieftain of the Cararabo attack has been viewed as a mockery here in Venezuela.

However, for the first time, they have sent troops to the border and for the first time, they have arrested several people who are charged with participating in attacks against Venezuela. I do not even want to go into the thorny issue of Carrillo and the rest.

[Hernandez] In brief, what is the solution to this complex problem?

[Marquez] The solution is to advance with a border policy that combines security with development, harmonizes the presence of the Armed Forces and the state security organizations with economic, social, and cultural programs, confronts the problem of basic services, and radically changes the image of abandonment, negligence, and indifference which characterizes the border area. The Indian nations that live in the border areas have to be attended to and the racist mentalities of some people, who say they are patriots, must change. We could say that every cloud has a silver lining and hopefully the regrettable events that occurred during the past months will lead us to establish a common Venezuelan position; it has to be a state position and must go beyond that of Caldera's government. We have to broach the complex circumstances we have ahead of us with an absolutely patriotic vision.

Military Signs Border Agreement With Colombia

PA1203041495 Caracas EL NACIONAL in Spanish 10 Mar 95 p D-1

[Agreement signed by Colombian Defense Minister Fernando Botero and Venezuelan Defense Minister General Moises Orozco Graterol in Arauca, Colombia on 9 March]

[FBIS Translated Text] 1. The participants visited the communities of Cravo Norte and Nueva Antioquia in Colombia, and Cararabo in Venezuela. They acknowledged the bravery of the soldiers who were attacked by the guerrillas.

2. Certain events have taken place along the border that tend to encourage insecurity and violence, which brings unrest to the people who live and work there. Said situation is worsened by the continued operations of terrorists, drug traffickers, and common crime against people and their properties, not only on Colombian territory, but also against the Venezuelans.

4. [number as published] To face such serious problems, the Colombian Armed Forces and security agencies coordinated their presence in the area and the actions each side will take to guarantee victory over violence and distuption all along the border.

5. Colombia agreed to increase its permanent military presence at the border. To do so, it will develop the Unified Eastern Command.

6. Venezuela, in turn, acknowledged the promptness and effectiveness with which the Colombian Armed Forces and the National Police responded to the recent events along the border.

Military Agrees To Coordinate Border Efforts With Colombia

PA1203040595 Caracas Venezolana de Television Network in Spanish 1550 GMT 10 Mar 95

[Report by Adriana Cabrera from "The News" newscast—passages within quotation marks are recorded]

[FBIS Translated Excerpt] [Announcer] During the Colombia-Venezuela ministerial-military meeting held in the Colombian Department of Arauca this Thursday, the two governments agreed to coordinate actions that guarantee not only the establishment of a permanent presence on the border, but also the launching of a campaign to defeat the agents of violence and destabilization in that area.

[Cabrera] Colombia agreed to permanently increase its military presence on the Colombia-Venezuela border. Colombia will invest $196 million in the operation it will name the Joint Command Unit of the Eastern Region.

[Colombian Defense Minister Fernando Botero] "We will comply [word indistinct] not only with the military, the police, but also a [word indistinct] and very significant compliance to meet our obligations in the border area."

[Cabrera] Venezuela briefed Colombia on the actions it has implemented regarding border security. In light of the new threats posed by the guerrillas, Venezuela proposed the hot pursuit policy against those whom it has dubbed terrorists.

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[Venezuelan Defense Minister Moises Orozco Graterol] "Whenever we come across this group of bandits, we will pursue their trail even if this means crossing the border. This is the proposal we have presented to them."

[Unidentified reporter] "What has been the Colombian Government's response to this?"

[Orozco] "The Colombian Government has said that the pertinent organizations such as the Foreign Ministry will study this proposal."

[Cabrera] As expected, Colombia presented Venezuela with the results of its actions regarding the Cararabo massacre: the seven prisoners and the weapons, documents, and other evidence they seized.

[Colombian Army Commander Harold Bedoya Pizarro] "The evidence is quite clear. This man has not only been charged by judicial authorities, but proof and documents have also been presented against him. This person has been identified by the other criminals who were also captured. Another six people—in addition to this man—were captured during these operations."

[Reporter] "What shortcomings have you and your Venezuelan counterpart noticed in the development of these joint operations?"

[Hector Gil Nieto, commander of the Colombian Air Force] "We truly did not know about the assault against the Venezuelan marines in time to support this operation at the time it was required."

[Pompeyo Marquez, chairman of the Venezuelan National Border Council] "We already visited the site where the Colombian Armed Forces and the police were conducting operations. They handed us the boat, the confiscated projectiles. Currently, a thorough operation is under way in the area through which the perpetrators of the Cararabo massacre presumably fled." [passage omitted]

Planning Minister Interviewed on Economy

PA1403152395 Caracas EL UNIVERSAL in Spanish 11 Mar p 2-4

[Interview with Coordination and Planning Minister Werner Corrales by unidentified reporter; place and date not given—first three paragraphs are EL UNIVERSAL introduction]

[FBIS Translated Text] Werner Corrales is optimistic about the future of the country. He thinks, for example, that the various sectors that make up the economic and political life of the nation "will converge" in an anti-inflationary agreement. It is understandable that he feels this way as he is the head of Cordiplan [Office of Coordination and Planning] and he is the minister with the longest tenure in that office since the Caldera Administration began.

He supports his argument by pointing to the inflation figures, a macroeconomic indicator that—according to him—went on some sort of a tobogan ride the moment the control mechanisms were established and that will stabilize between 2.5 and 2.6 percent in April and May. He also provides information related to foreign investments in fields such as petroleum, mining, pulp, and paper.

"PDVSA [Venezuelan Petroleum Inc.] invested nearly $200 million last year just in inactive fields. It has estimated $1 billion in productive investment for 1995. The five-year investment in the four projects of the Orinoco Belt amounts to $20 billion. Resources destined for the exploitation of mining activities in gold and nickel amount to more than $700 million for the next 3 years. Investment in the forest sector and in the production of pulp and paper will increase from $200 million to $600 million."

[EL UNIVERSAL] What are the expectations for the first three months of the year?

[Corrales] There is a marked trend toward a drop in inflation. Even some of those who last year said this would not be attained, now claim that it is the economy that will not be revitalized.

We are going to stay in a band between 2.5 and 2.6 percent in April and May, and this guarantees we will reach the levels we had forecast along the order of 35 percent for the entire year, unless some catastrophe occurs. In other words, prices are going to have to come down some more, although I do not think much more.

[EL UNIVERSAL] What if we reach such a level of inflation, how much will be the economy grow?

[Corrales] We estimate the economy should grow approximately 1.9 percent. That figure reflects growth in the oil economy and a slight contraction in the other activities. However, we are working on some incentive programs for the production sectors that should be yielding results in the second semester.

[EL UNIVERSAL] Is this the scenario for investing dollars?

[Corrales] The scenario for the anti-inflationary struggle is as follows: There is a need for reaching a significant reduction in spending, of reducing the fiscal deficit, and also of financing it in a noninflationary manner. One should also take into consideration launching a monetary program, because last year it was actually impossible to carry out a strategy of this type. The Central Bank of Venezuela [BCV] was then forced to authorize financial assistance that practically tripled the monetary base, something that produced a total maladjustment of the monetary program.

[EL UNIVERSAL] Why does the Republic have to pay the 1.2 trillion bolivares that it owes the Central Bank for financial assistance?

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[Corrales] The BCV carried the weight of the monetary program. That bank issued over 1 trillion bolivares so that the Republic could assist the banks through the Fogade [Deposit Guarantee and Banking Protection Fund]. And that is not all, because inasmuch as the BCV maintained zero coupons for absorbing liquidity, by the end of the year this was costing it 30 billion bolivares monthly. The BCV must be paid back because the crisis of the financial system is a national problem, and the Republic must accept the cost. The BCV is a monetary and financial institution. The Republic is the guarantor of stability. However, we must advise that the Republic cannot pay that debt in one year. For example, if those commitments had been met in 1994, the fiscal deficit would currently be 15 percent.

[EL UNIVERSAL] Nonetheless, the Finance Ministry's stand until just sometime ago was that of not paying?

[Corrales] That debt must be paid because the BCV is an institution that should regulate national monetary and financial issues. In addition, the BCV is the financial authority of the country. How can such an authority allegedly be bankrupt? Besides, the law controlling the BCV says that one year after there have been losses, the Republic must cover them. On the other hand, the only shareholder of the BCV is the Republic. Therefore, if the BCV has losses, no one but the Republic can cover them.

[EL UNIVERSAL] Will that debt be paid this year then?

[Corrales] It will be paid in several installments or it might be paid through a procedure that will ensure that the BCV will have the securities with which it can improve its cash flow. The BCV faced problems of extremely high costs up to December 1994 and it did not have a promissory note that enabled it to reduce the zero coupon bonds and replace them with other securities. The BCV must be certain of this because it must have capacity to continue operating as the financial authority. A financial authority must have in its hands instruments that enable it to get rid of the money in circulation when there is an excess or to inject it when necessary. At the same time, the Republic must ensure that this does not lead to an unbearable deficit and that it does not cause an increase in inflation.

[EL UNIVERSAL] Will the investments made in dollars be part of these securities?

[Corrales] Yes.

[EL UNIVERSAL] But not the only ones...

[Corrales] First, what we want to do is to relieve the BCV of the burden of 1 billion bolivares. The Republic needs to finance itself, but not in an inflationary manner. It can do this with securities that enable the BCV to continue reducing the amount of TEM [expansion unknown] in addition to its zero coupon bonds. Thus, payments would not be made to the BCV, but some of its burden would indeed be reduced. Then, the scenario is the following: the Republic would have enough instruments to reduce the excess money in circulation, which would spare the BCV from having to place securities. Another alternative would be to pay through investments made in dollars. A third alternative that is being considered is to make payments with the Fogade's securities, having as a guarantee a trusteeship created with its assets. Another option is that this trusteeship be put under the control, at least partially, of the BCV. Although different solutions are being considered, what is certain is that this solution should seek to ease the burden on the BCV, making the Republic reduce part of the liquidity. Second, the BCV should be paid with negotiable securities. Third, this solution should not involve overburdening the Republic with an even greater fiscal deficit.

[EL UNIVERSAL] Do each of these options take interest rates into consideration?

[Corrales] Interest rates are about to be negotiated. They will be low.

[EL UNIVERSAL] Will they be market rates?

[Corrales] They should be lower than market rates.

[EL UNIVERSAL] How much in reality is the fiscal deficit?

[Corrales] The Budget Law deficit is much lower. However, there are questions regarding the certainty of some of its revenues. Therefore, there would be a very serious deficit if some of the anticipated revenues do not materialize. To solve this problem, expenses should be considerably reduced and there is quite a bit of room for this.

[EL UNIVERSAL] How long will the negative interest rates be maintained?

[Corrales] In an open economy, that is, an economy where the market works, negative fixed rates could lead savers to buy foreign exchange and cause reserves to decrease. Usually the established saver is much more rational, he realizes that his capital is not yielding enough with regard to inflation and he decides on other options besides investing. However, this is not the case with small savers.

[EL UNIVERSAL] Because they have no other option...

[Corrales] Or because they do not know about savings yields. The theory is that the other option for savings that do not yield enough is consumption. It has been widely speculated that if negative interest rates are maintained, consumption could rise sharply and, consequently, inflation would increase. I do not believe that this would be the case in the short term. There is no evidence of it. Meanwhile, monetary policy will be based upon maintaining long-term negative interest rates. However, negative rates can be fixed for the short term if other goals are sought. One of the goals we are after is the reactivation of loans for the production sector. It could be dangerous, however, if liquidity increases.

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[EL UNIVERSAL] Why aren't people spending? Is it that they cannot buy more than the basics?

[Corrales] In the IPC [Prices and Quotations Index] food, clothing, and footwear carry the greatest weight. It has been noted that a portion of large savers' funds are used to purchase real estate. However, consumption has not increased as a result of lower interest rates. In an open market interest rates drop when there is a liquidity surplus. In this temporarily controlled market, we can maintain low interest rates and concurrently decrease liquidity. The policy that was agreed upon with the BCV was that this organization will begin to reduce the zero coupon bonds. The approximately 1 trillion bolivares that we had last year have been reduced by a half between the zero coupon bonds and the TEM. However, this has produced a surplus in the economy of over 200 billion bolivares, which might foster inflation. It is on the basis of this figure that action will be taken, with the sale of shares in dollars—in a first installment that will immediately yield 170 billion bolivares—and with government bonds and bank drafts, for example, which will help to finance the budget.

[EL UNIVERSAL] Are these the installments included in the budget?

[Corrales] Some of them are. There are other installments and bond issues the approval of which we will have to discuss with the Congress. Those transactions are for paying the foreign debt.

[EL UNIVERSAL] How will you manage to get banks to function as financial intermediaries and less as promissory note buyers? Will the state banks be used for that?

[Corrales] We are creating the conditions for banks to seek effective intermediary functions. Because there is a surplus of liquidity, banks need to find somewhere to place it. Therefore there are several projects to activate certain sectors of local industry. We have finalized all the plans to refinance small- and medium-sized industries and we are now studying programs to refinance other types of industry. We are holding talks with state-owned businesses and with large private corporations, directed at encouraging them to give preference to Venezuelan goods for the short term.

[EL UNIVERSAL] And if they resist...

[Corrales] Let me explain. This kind of conduct must be voluntary, but I still believe the country is sufficiently aware of this. Private businessmen and major industries in Venezuela are beginning to accept the idea and reaching the conclusion that we should prefer Venezuelan goods. Venezuela entered into international agreements at a great disadvantage, with regard to other Latin American nations. We gave up government purchasing when no one had asked us to. We are not in a easy situation. Although it is true that they could take legal action if the Venezuelan Government were to issue a decree, it is also true that any Venezuelan company is free to decide what to buy. We are seeking a major voluntary agreement among state-owned businesses, the private sector, and the state governorships. This will stimulate demand and industry will again need loans. Lines of credit will also be approved to finance replenishing raw material inventories. We will implement an incentives plan that will include cuts in tariffs for importing materials and machinery and the postponement of wholesale tax payments.

[EL UNIVERSAL] You have repeatedly pointed out the need to cut government spending. How can we do this when we have such an inflexible national budget?

[Corrales] Over the last few years there has been a process going on that seeks to merge the federalist view with the centralist view. We are continuing with the latter, under which the states derive their constitutional status from the central government, but still do not fully handle certain operations. The central government has provided for the states and assumed their expenses, transferring the funds the states contribute based on their constitutional status back to the states again. We must negotiate with the governors and have them assume a more significant portion of the administration of their state, specifically in infrastructure and utilities. This will then generate the funds to justify the 20 percent reduction in government revenues that comes from granting the states constitutional status. There are transfers that can be further reduced.

[EL UNIVERSAL] Do you endorse the creation of a Currency Conversion Bank [Caja de Conversion]?

[Corrales] Personally speaking, I do not like the Currency Conversion Bank plan. Suppose, as it has happened many times in Venezuela, that there are no resources to pay the teachers by September. Will not money be issued in this case? The first thing to do is carry out a structural reform of the state to allow fiscal discipline and feasible budgets. When an amount is allocated in the budget, excessive expenses should in no way be accepted. After this, a Currency Conversion Bank or a more disciplined BCV mechanism would be no problem. The real problem is fiscal discipline rather than monetary mechanisms. As long as this is not solved what will happen is that it will be necessary to break with the Currency Conversion Bank a day after it is established. This is a very simple scheme in which the monetary policy administrator is deprived of all autonomy. The system worked in a colony because, if a deficit occurred, the Bank of England provided it; and, conversely, if there was a surplus, the gold was sent to London instead of issuing, for example, more Australian pounds. The positive part of the plan can be implemented without touching the negative parts.

[EL UNIVERSAL] Does the idea of signing a standby agreement with the IMF, as a preliminary step to ending the exchange rate control, still stand?

[Corrales] The idea has been proposed many times. However, the government decided that its relationship

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with the IMF must be technical until the government devises its own fiscal, monetary, and foreign exchange policy and confirms it is operating well. However, there is a relationship with the IMF and it has not been disrupted. There is a much more respectful position under which more cooperation has been carried out.

[EL UNIVERSAL] When do you think the macroeconomic accounts will be sufficiently balanced to suspend the controls?

[Corrales] I hope agreements are reached this year to make control of inflation possible. This will establish the groundwork so controls can end altogether. In this type of agreememt the state must commit itself and allow supervision so it does not spend more than it receives. The BCV must not allow liquidity to increase more than necessary. Businessmen must pledge not to increase prices in a disproportionate way and workers must pledge not to demand more than is established in a previously approved wage agreement.

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